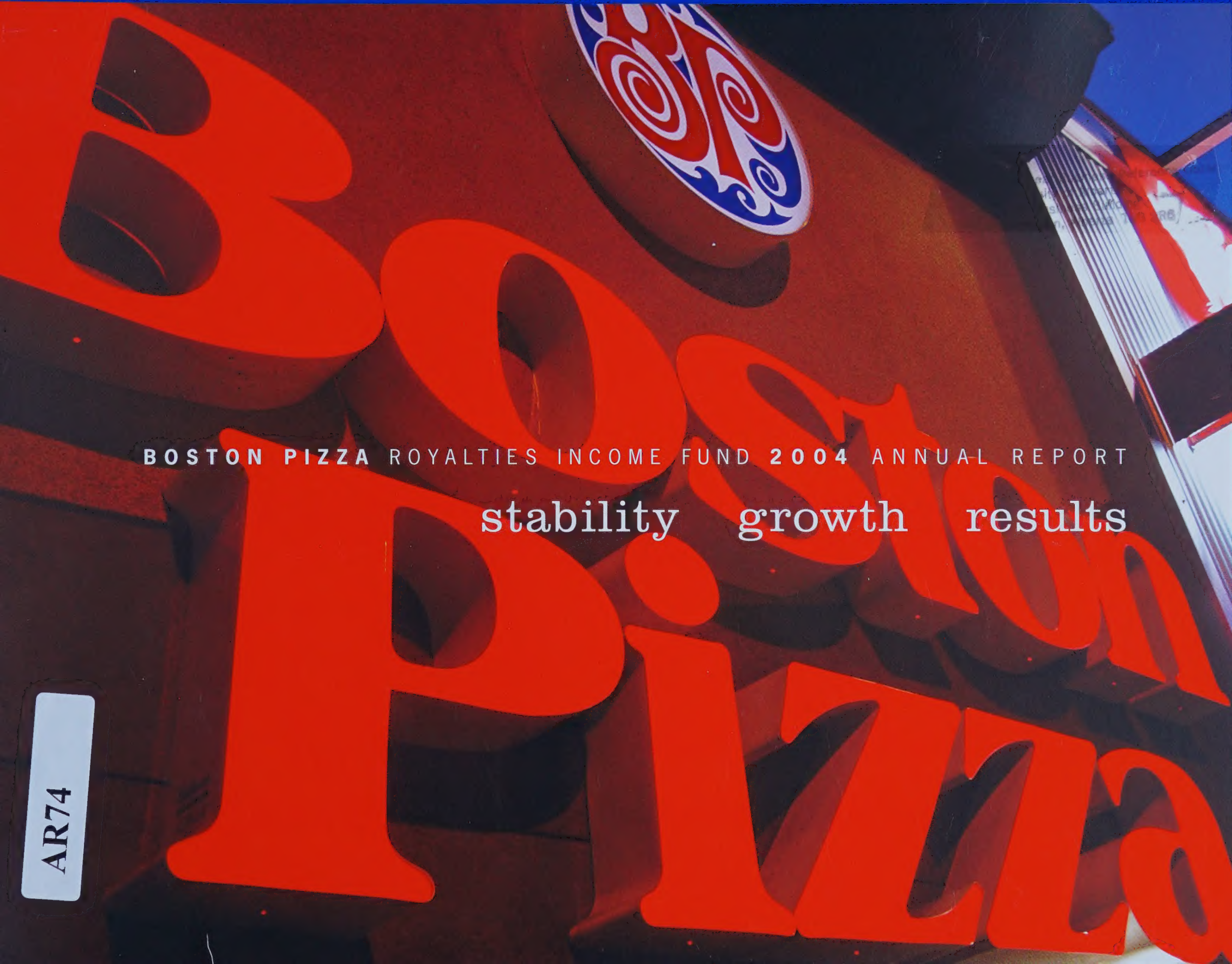


BOSTON PIZZA ROYALTIES INCOME FUND 2004 ANNUAL REPORT

stability growth results

glossary

FUND	Boston Pizza Royalties Income Fund
PARTNERSHIP	Boston Pizza Royalties Limited Partnership
BPI	Boston Pizza International Inc.
IPO	Initial Public Offering – date July 17, 2002
GROSS SALES /SYSTEM SALES	Gross revenue generated from Boston Pizza restaurants across Canada
FRANCHISE SALES	Gross revenue generated from Boston Pizza restaurants across Canada, less sales generated from alcohol, tobacco and Boston Pizza International Inc. approved national promotions and discounts
SALES GROWTH	The increase in gross revenue generated from Boston Pizza restaurants across Canada over a previous period
SSSG	Same store sales growth – refers to the overall increase in gross sales of Boston Pizza restaurants that have been opened for a minimum of 24 months
FULL SERVICE RESTAURANTS	Establishments that may sell alcoholic beverages, provide take-out services, operate a bar, or present live entertainment in addition to serving food and non-alcoholic beverages. This industry includes full-service establishments known as fine-dining restaurants, family restaurants and restaurant-bars. Source: Statistics Canada
CASUAL DINING	$10-$20 average cheque, full table service, themed atmosphere, generally little take-out service.
CRFA	Canadian Restaurant and Foodservices Association
FISCAL YEAR	As it applies to the Fund, for 2002 means July 17 to December 31, after January 1, 2003 means January 1 to December 31. As it applies to BPI, prior to 2002 it means September 1 to August 31, after September 1, 2002 it means for the remainder of calendar 2002, after January 1, 2003 it means January 1 to December 31.
ROYALTY POOL	In any period, those Boston Pizza restaurants on which royalty equating to 4% of franchise sales/revenue is to be paid to the Fund.
NON-CONTROLLING INTEREST	BPI's indirect interest in the Fund.
20-DAY WEIGHTED AVERAGE UNIT PRICE	As at any date or for any period, the weighted average price at which the Units have traded on a Stock Exchange during the period of 20 consecutive trading days ending on the fifth trading day before such date or the end of the period. The weighed average price is defined as the amount obtained by dividing the aggregate sale price of all of the Units traded on the relevant Stock Exchange during such period divided by the total number of Units so traded.
BP RIGHTS	(a) All rights in Canada to certain registered trademarks and pending applications for trademarks, including "Boston Pizza", "BP & Design", "BP's Lounge", "BP's Bistro", "Boston's The Gourmet Pizza", "Boston Pizza Quick Express", "Boston Pizza Restaurant & Sports Bar" (b) All rights in Canada in certain unregistered trademarks and trade names used in the business of BPI; and (c) Certain goodwill associated with the items referenced in (a) and (b) above.

contents

LETTER FROM THE CHAIRMAN OF BOSTON PIZZA ROYALTIES INCOME FUND

On behalf of the Trustees of the Boston Pizza Royalties Income Fund ("the Fund" [1]), I am pleased to present our 2004 Annual Report. This Annual Report covers the period January 1, 2004 to December 31, 2004 (the "Period"). These results are also available on our website at www.bpincomefund.com. We encourage you to visit the website to view the latest developments of the Fund.

HIGHLIGHTS

2004 was another positive year for the Fund. As a result of strong same store sales growth ("SSSG") of 6.8% achieved by Boston Pizza restaurants, we were able to provide Unitholders with three increases in monthly distributions during the year. The monthly distributions at the beginning of 2004 were \$0.0867 per month (\$1.04 annualized) and by the end of 2004 year Unitholders were receiving distributions of \$0.0967 per month (\$1.16 annualized), an increase of over 11%. In 2004 the unit price of the Fund increased by over 21%, from a closing price of \$11.98 on January 2 to a closing price of \$14.50 on December 31.

Effective January 1, 2004, 15 new restaurants were added to the royalty pool (the "Royalty Pool") bringing the number of restaurants in the Royalty Pool to 177. As a result of positive SSSG and the additional 15 restaurants added to the Royalty Pool, royalty revenues of the Fund increased by 15.2%.

For the Period, the Fund received royalty income of \$13,195,706 from BPI. Interest income was \$1,807,801. Expenses, made up primarily of general and administrative and interest expense, amounted to \$740,492.

The Fund's net earnings, after Non-Controlling Interest were \$12,463,015 or \$1.13 per unit. The Fund declared aggregate distributions of \$12,355,870 or \$1.11 per unit.

During 2004 Boston Pizza opened 17 new restaurants, renovated 11 restaurants, and relocated one restaurant to an improved site. 2004 was another year in which Boston Pizza did not close any restaurants.

OUTLOOK

Going forward BPI management continues to focus on opening new stores and delivering industry-leading SSSG. In 2005, BPI anticipates that approximately 25 new locations will open across Canada further enhancing the Boston Pizza brand. SSSG, the primary metric for growth of the Fund, will be achieved through executing effective national and local marketing promotions, superior customer service, and Boston Pizza's unique renovation program, which requires each Boston Pizza location conduct a full renovation every seven years. In 2005, 15 renovations are planned. Historically SSSG for renovated locations has been between 10-15% post renovation.

BPI management believes that these initiatives will enhance Boston Pizza's efforts to develop new markets while continuing to strengthen Boston Pizza's position as Canada's number one casual dining brand. With 198 restaurants stretching from Victoria to Halifax, Boston Pizza has more locations and serves more customers annually than any other casual dining destination in Canada.

The Board of Trustees will periodically review distribution levels and our criteria will continue to be to distribute all available cash in order to maximize returns to Unitholders. Any changes to distributions will be implemented, to the extent possible, in a manner that will allow the Fund to maintain the uniformity of distributions.

In closing, I would like to take this opportunity to thank each Unitholder for your continued support and for the confidence you have demonstrated by investing in the Fund.

On behalf of the Board of Trustees,

JOHN COWPERTHWAITE
Chairman, Boston Pizza Royalties Income Fund

1 Any further references to the Fund refer to the Fund and its subsidiaries, as the financial results presented in this annual report are presented on a consolidated basis.

LETTER FROM THE CHIEF EXECUTIVE OFFICER OF BOSTON PIZZA INTERNATIONAL INC.

On behalf of Boston Pizza International Inc. ("BPI"), its board of directors, management team and employees, I am pleased to present our 2004 Annual Report. This report covers the fiscal period of January 1, 2004 to December 31, 2004 (the "Period").

HIGHLIGHTS

2004 was a record breaking year for us, as we opened more restaurants during the year than any other time in our history. We opened 17 new restaurants, relocated one restaurant to an improved site, renovated 11 restaurants, and achieved impressive overall sales growth of 17.7%. Same store sales growth ("SSSG") for the Period was 6.8%. SSSG is a key performance indicator of the ongoing growth of our brand. Overall sales growth is achieved through new store openings and SSSG. BPI's earnings before income taxes for the Period were $3,075,803 up 90% from 2003.

BUSINESS STRATEGY

Boston Pizza continued to increase its market share and remains Canada's number one casual dining brand. This was accomplished by continuing to focus on three strategic priorities that are the foundation for all strategic decision-making. They are what we refer to as our "Three Pillars" strategy.

- **The commitment to franchisee profitability**
- **The commitment to continually enhance the Boston Pizza brand**
- **The commitment to continually improve the customer experience**

OUTLOOK

We believe that 2005 will be another strong year for our organization. We will continue our aggressive expansion into eastern Canada, while continuing to infill markets in western Canada. In the province of Quebec, where we opened a corporate office in 2004, we will open two to five restaurants. Approximately 25 new Boston Pizza restaurants will open across Canada in 2005, more than at any other time in our history. Boston Pizza will continue its successful renovation program that requires each location to renovate every seven years. In 2005, 15 renovations are planned.

Our management further believes that in 2005 the organization can continue to deliver on the most important metric to Unitholders of the Fund, namely SSSG. Through strong television and radio advertising, national and local promotions, and superior customer service, it is management's objective to deliver industry-leading SSSG.

With plans to open over 100 new locations over the next five years, a unique renovation program, industry-leading SSSG, and our continued commitment to operational improvements, our management team believes that Boston Pizza will continue to be Canada's number one casual dining brand.

On behalf of Boston Pizza International Inc.,

MIKE CORDOBA
Chief Executive Officer
Boston Pizza International Inc.

TO BE STABLE YOU NEED A SOLID STRUCTURE

"It's really quite simple, we are in the business of opening successful restaurants. Franchisee profitability, our number one pillar of success, is a key tenet George and I have stressed to all staff since we bought the company back in 1983. Good franchisee selection, along with solid real estate and sound unit economics, all lead to a stable and successful operating environment."

JIM TRELIVING
Chairman & Owner
Boston Pizza International Inc.

A TOP-LINE FUND

The structure of the Fund provides Unitholders with top-line royalty from Boston Pizza restaurants. The Fund has no capital expenditures.

A FRANCHISED CONCEPT

Boston Pizza is a franchised concept. Of the **198 locations from Coast to Coast**, 196 locations are franchised. Expansion is exclusively achieved by the company's ability to sell franchises.

LOW CLOSURE RATE

Boston Pizza's low closure rate is indicative of the strong unit economics at the franchise level. Only 2 closures/non-renewal of franchise agreements in the last 6 years. **No locations were closed in 2005**, and in fact BPI has not closed a location in the last four years, a rate well below the industry average.

A UNIQUE RENOVATION PROGRAM

Boston Pizza franchisees are required to renovate the interior and exterior of their restaurants and bring them up to current Boston Pizza prototype standards every 7 years. This ensures each location stays competitive. **In 2004 there were 11 renovations completed and 1 relocation**. The average increase in same store sales post-renovation is 10-15%.

STAFF RETENTION

Average length of senior management **10+ years**.

BP TIPS – STAFF AND UNITHOLDERS OF THE FUND ARE ALIGNED

BPI has a long-term incentive plan in place titled BP TIPS (Boston Pizza Team Incentive Plan System) that closely aligns the interests of all BPI employees and Fund Unitholders. The incentive rewards are based on two criteria:

- Same Store Sales Growth
- New Store Openings

LOW AVERAGE GUEST CHEQUE

The Boston Pizza average guest cheque is on the low end of Casual Dining which means the Boston Pizza experience is good value for guests. **In 2004 the average guest cheque was $13.43**.

TO SUSTAIN GROWTH YOU NEED A PROVEN MODEL

SAME STORE SALES GROWTH (SSSG)

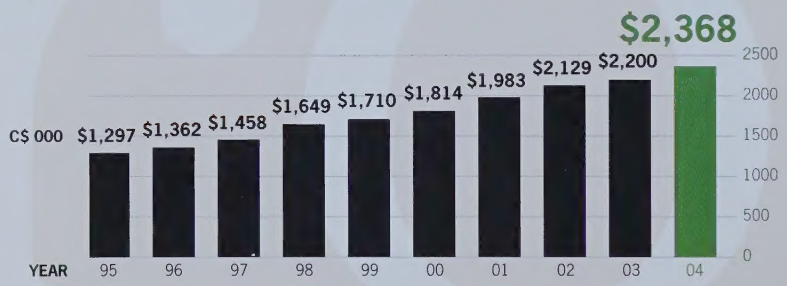
The primary driver for yield growth of the Fund is SSSG. In the last 10 years Boston Pizza restaurants nationwide have averaged over 6% SSSG and have not experienced a negative SSSG year.

In 2004 SSSG was: **6.8%.**

SAME STORE SALES GROWTH

AVERAGE UNIT VOLUME GROWTH (AUV)

AUV growth is the cumulative effect of SSSG. As AUV increases so does the financial strength of Boston Pizza franchisees.



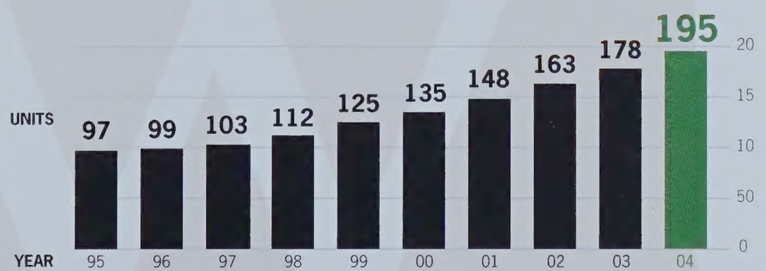
AVERAGE UNIT VOLUME GROWTH

"In the restaurant industry you always have to know how well your core business is doing. We've never lost sight of the fact that we can't take our eye off the ball. The existing business must grow. Then comes expansion."

GEORGE MELVILLE, Chairman & Owner
Boston Pizza International Inc.

RESTAURANT GROWTH

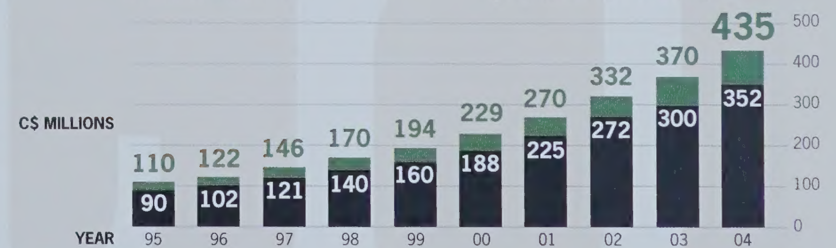
Store Openings in 2004	**17**
Store Closures in 2004	**0**



RESTAURANT GROWTH

SYSTEM GROWTH

Overall growth of system wide gross sales over the last 10 years	**14.7%**
System Wide Gross Sales 2004	**$435 million**
Franchise Sales 2004	**$352 million**



SYSTEM WIDE GROSS SALES & FRANCHISE SALES

TO BE CANADA'S #1 CASUAL DINING BRAND

"Our team is very proud of Boston Pizza's position as Canada's number one casual dining brand. We believe our three pillars of success strategy is a solid foundation that enables us to maintain this distinction. Look for 2005 to be a record breaking year for new store openings as we capitalize on the great opportunities that await us in Ontario and Quebec."

MIKE CORDOBA
Chief Executive Officer
Boston Pizza International Inc.

BOSTON PIZZA HAS MORE LOCATIONS AND SERVES MORE CUSTOMERS EACH YEAR THAN ANY OTHER CONCEPT IN CANADA

28 million customers in 2004

195 locations as of December 31, 2004

A SINGLE BRAND FOCUS WITH TWO DISTINCT DEMOGRAPHICS

Families

Young adults

YOU NEED TO BE THE BEST

A PROVEN STRATEGY

"Three Pillars" Strategy – the backdrop of all decision making that has underpinned the development and success of the Boston Pizza system.

A COMMITMENT TO FRANCHISEE PROFITABILITY

The best way to ensure the success of the Fund, the Company, and the Brand is to ensure the success of the franchisees.

A COMMITMENT TO BUILDING THE BOSTON PIZZA BRAND

Having a strong and recognizable brand that consumers trust and want to do business with creates value for all stakeholders.

A COMMITMENT TO CONTINUALLY IMPROVING THE CUSTOMER EXPERIENCE

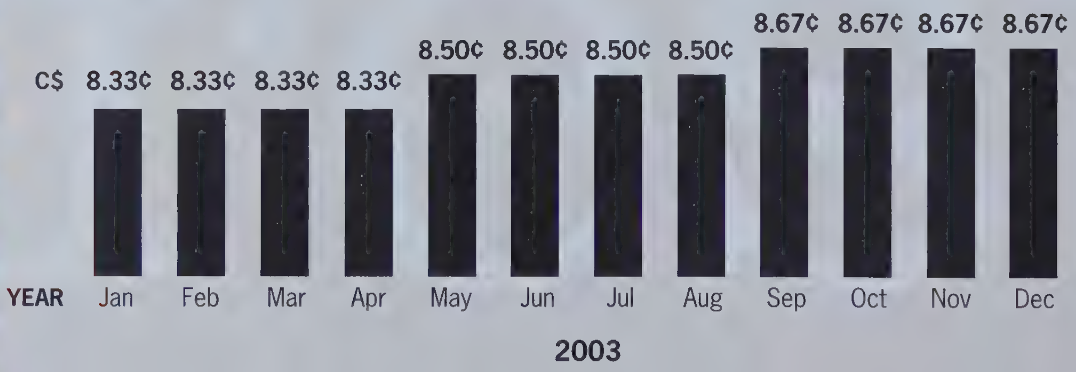
40 years of focus and effort towards improving the Boston Pizza experience. A vibrant, colourful design in a casual and comfortable dining atmosphere, combined with a menu that features old favourites and new taste sensations, keeps guests coming back for more.

WHAT DOES IT ALL MEAN FOR UNITHOLDERS?...*RESULTS*

GROWING DISTRIBUTIONS

In 2004 the Fund delivered **three increases in distributions** to Unitholders.

Distributions have grown by **16.1%** since the IPO.



"Our track record of five distribution increases since inception, proves that the Boston Pizza Royalties Income Fund is very well suited for the income trust model."

MARK POWELL
Chief Financial Officer
Boston Pizza International Inc.

FINANCIAL HIGHLIGHTS

The following table sets out selected historical information and other data of the Boston Pizza Royalties Income Fund (the "Fund"[1]), which should be read in conjunction with the attached consolidated financial statements of the Fund.

	January 1, 2004 to December 31, 2004	January 1, 2003 to December 31, 2003	(IPO) July 17, 2002 to December 31, 2002
	(in thousands of dollars – except restaurants and per unit items)		
Number of restaurants in Royalty Pool	177	162	154
Franchise Revenues reported by restaurants in Royalty Pool	$ 329,893	$ 286,364	$ 124,203
Royalty Income	$ 13,196	$ 11,455	$ 4,968
Net Earnings	$ 12,463	$ 10,583	$ 4,522
Earnings per Fund unit	$ 1.13	$ 1.04	$ 0.47
Distributions declared per Fund unit	$ 1.11	$ 1.02	$ 0.46
Same Store Sales Growth	6.8%	4.1%	N/A
Number of restaurants opened during Period	17	15	9

	December 31, 2004	December 31, 2003	December 31, 2002
	(in thousands of dollars)		
Total Assets	$ 152,894	$ 138,700	$ 135,511
Total Liabilities	$ 34,669	$ 34,044	$ 30,958

1 Any further references to the Fund refer to the Fund and its subsidiaries, as the financial results presented in this annual report are presented on a consolidated basis

	Q4, 2004	Q3, 2004	Q2, 2004	Q1, 2004
(in thousands of dollars – except restaurants and per unit items)				
Number of restaurants in Royalty Pool	177	177	177	177
Franchise Revenues reported by restaurants in Royalty Pool	$ 82,541	$ 87,692	$ 82,519	$ 77,140
Royalty Income	$ 3,302	$ 3,508	$ 3,301	$ 3,086
Net Earnings	$ 3,091	$ 3,330	$ 3,111	$ 2,931
Earnings per Fund unit	$ 0.29	$ 0.30	$ 0.28	$ 0.26
Distributions declared per Fund unit	$ 0.38[2]	$ 0.29	$ 0.27	$ 0.17[2]

	Q4, 2003	Q3, 2003	Q2, 2003	Q1, 2003
(in thousands of dollars – except restaurants and per unit items)				
Number of restaurants in Royalty Pool	162	162	162	162
Franchise Revenues reported by restaurants in Royalty Pool	$ 72,868	$ 76,467	$ 71,281	$ 65,748
Royalty Income	$ 2,915	$ 3,059	$ 2,851	$ 2,630
Net Earnings	$ 2,692	$ 2,861	$ 2,623	$ 2,407
Earnings per Fund unit	$ 0.26	$ 0.29	$ 0.26	$ 0.23
Distributions declared per Fund unit	$ 0.35[2]	$ 0.26	$ 0.25	$ 0.17[2]

2 During the fiscal year, distributions for January through November are declared in the month immediately following. For example, March distributions are declared in April and paid in April. However, December's distributions are declared in December (although paid at the end of the following month like all other distributions) and not in January. As a consequence, during the first quarter of each year only 2 distributions are declared (although 3 are paid, like every other quarter) and during the fourth quarter of each year 4 distributions are declared (although only 3 are paid)

BOSTON PIZZA ROYALTIES INCOME FUND

MANAGEMENT DISCUSSION AND ANALYSIS

JANUARY 1, 2004 TO DECEMBER 31, 2004

OVERVIEW

This Annual Report covers the period of January 1, 2004 to December 31, 2004 (the "Period"). The Management Discussion and Analysis of the results for this Period is dated March 15, 2005. A copy of this Annual Report and additional information about the Fund is available at www.sedar.com or www.bpincomefund.com.

The Fund indirectly owns the Canadian trademarks for Boston Pizza (the "BP Rights"[3]), Canada's number one casual dining brand. The Fund has licensed the BP Rights to Boston Pizza International Inc. ("BPI") in return for a 4% royalty of Franchise Sales of those Boston Pizza restaurants included in the specific royalty pool (the "Royalty Pool"). There were 177 restaurants in the Royalty Pool for the Period.

On January 1 of each year ("Adjustment Date"), an adjustment is made to add to the Royalty Pool new Boston Pizza restaurants that have been open at least 60 days prior to that Adjustment Date. In return for adding this additional royalty revenue, BPI receives the right to indirectly acquire additional Fund units (the "Additional Entitlements"). The adjustment for new franchise revenues added to the Royalty Pool is designed to be accretive for Unitholders. The Additional Entitlements are calculated at 92.5% of the royalty revenue added to the Royalty Pool, divided by the yield of the Fund, divided by the Weighted Average Unit Price. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the new restaurants is known with certainty. BPI receives 100% of distributions from the Additional Entitlements throughout the year. Once these new restaurants have been part of the Royalty Pool for a full year, an audit of the royalty revenues of these restaurants received from BPI will be performed. At such time an adjustment will be made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI. On January 1, 2004 15 new restaurants were added to the Royalty Pool and BPI received the right to acquire an additional 738,345 units of the Fund. The 738,345 represented 80% of the Additional Entitlements.

A key attribute of the Fund structure is the fact that it is a "top-line" fund. Royalty income of the Fund is based on top-line revenue of Royalty Pool restaurants and is not determined by the profitability of either BPI or the Boston Pizza restaurants in the Royalty Pool. Given this structure, the success of the Fund depends primarily on the ability of BPI to maintain and increase Franchise Sales of the Royalty Pool.

Increases in Franchise Sales are derived from both new Boston Pizza restaurants and Same Store Sales Growth ("SSSG"). The key metric for yield growth of the Fund is SSSG. SSSG from existing restaurants is dependent on maintaining operational excellence within each Boston Pizza restaurant, general market conditions, pricing, and marketing programs undertaken by BPI. One of BPI's competitive strengths in increasing Franchise Sales of existing locations is that BPI's Franchise Agreement requires that each Boston Pizza restaurant undergo a complete store renovation every seven years as well as complete any equipment upgrades as required by BPI. Following a complete store renovation, Franchise Sales for renovated locations have historically increased by an average of 10-15%.

Franchise Sales are also affected by the permanent closures of Boston Pizza restaurants. A Boston Pizza restaurant is closed when it ceases to be viable or when BPI has agreed with the franchisee to terminate the Franchise Agreement. BPI has a very low store closure rate. In 2004 no restaurants were closed. In fact, Boston Pizza has not closed a restaurant in the last four years, a statistic significantly below the industry average. In the event that a location actually closes, the Fund has a make-whole provision agreement with BPI whereby BPI will replenish the royalties that would have been paid to the Fund had the restaurant not closed.

The following information provides additional analysis of the operations and financial position of the Fund and should be read in conjunction with the consolidated financial statements and accompanying notes. The financial statements are in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles. Readers should note that the 2004 results are not directly comparable with the 2003 results due to the fact that there were 177 Royalty Pool restaurants in 2004 and 162 Royalty Pool restaurants in 2003.

OPERATING RESULTS

Boston Pizza continued to post positive growth in 2004. As a result of positive SSSG and an additional 15 restaurants added to the Royalty Pool, royalty revenues of the Fund increased by 15.2%.

3 BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the Trademarks Act (Canada), and other trademarks and the trade names which are confusing with the registered or pending trademarks. The BP Rights purchased do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the Trademarks Act (Canada).

SSSG

SSSG, the key metric for growth of the Fund, was 6.8% for the Period. SSSG is a cumulative effect of increased customer traffic, menu inflation, and an increased average guest cheque. As a result of positive SSSG, the Fund was able to provide Unitholders with three increases in monthly distributions during 2004.

New Store Openings, Renovations, and Relocations

In 2004, 17 new Boston Pizza restaurants opened and no restaurants were closed. As well, during the Period, 11 Boston Pizza restaurants were renovated and one restaurant was relocated to a superior location. Typically, locations that undergo a renovation are closed for 2-3 weeks. BPI's unique renovation program is a proven sales builder. Historically the average increase in overall sales for renovated sites has been 10% – 15% post renovation. Relocated restaurants historically have produced much higher sales at the new location. Unitholders benefit from relocations because the significant increase in sales translates directly into an increase in royalty to the Fund. Boston Pizza relocations are not treated as a closure because the restaurant continues to operate with the same franchisee, under the same franchise agreement, in the same territory, but with superior real estate. The treatment described produces the most favorable outcome for Unitholders because the Fund receives significant additional royalty without increasing the distributions payable to BPI. If the alternative treatment of recording a closure and subsequent opening as a new store was applied, the final result would be that BPI would receive 92.5% of the incremental royalty rather than the current result where Unitholders receive all of the incremental royalty.

Revenues

For the Period royalty income received by the Fund was $13,195,706 and interest income was $1,807,801. The royalty income was based on the Royalty Pool of 177 Boston Pizza restaurants in Canada reporting Franchise Sales of $329,892,643. For the 2003 Period royalty income received by the Fund was $11,454,561 and interest income was $1,803,434. The 2003 royalty income was based on the Royalty Pool of 162 full-service Boston Pizza restaurants in Canada reporting Franchise Sales of $286,364,021. Interest income is primarily derived from a $24.0 million loan from the Fund to BPI. The interest on this loan is paid monthly by BPI at a rate of 7.5% per annum.

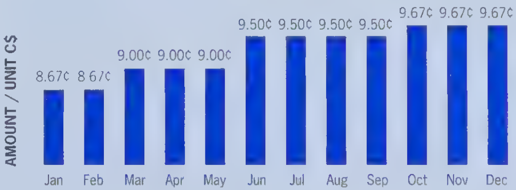
Operating Expenses

The Fund's consolidated operating expenses for the Period were $740,492: $238,390 of interest expense on its $5 million term loan, $31,750 for amortization of deferred financing charges on its credit facilities, and $470,352 for general and administrative expense. For the 2003 Period consolidated operating expenses were $874,580: $271,884 of interest expense on its $5 million term loan, $30,000 for amortization of deferred financing charges on its credit facilities, and $572,696 for general and administrative expense. The general and administrative expenses are comprised mainly of professional fees, insurance premiums, transfer agent costs, and trustee fees.

Distributions

Net earnings of the Fund were $12,463,015 or $1.13 per unit with the Fund declaring distributions of $12,328,998 or $1.11 per unit for the Period. During 2003 net earnings were $10,583,415 or $1.04 per unit and distributions of $10,409,138 or $1.02 per unit were declared. In March, Unitholders received the first distribution increase as distributions were raised by 3.8% from $0.0867 per unit to $0.090 per unit. Three months later in June, Unitholders received the second increase in distributions as the Fund raised distributions again, this time by 5.6%, from $0.090 per unit to $0.095 per unit. In October the Fund provided Unitholders with the third increase in distributions for 2004. This time distribution went from $0.095 per unit to $0.0967 per unit, an increase of 1.8%. Since the inception of the Fund, Unitholders have received five distribution increases. At the time of the IPO the monthly distributions were set at $0.0833 per unit and by the end of 2004 monthly distributions were $0.0967 per unit, an increase of 16%. Distributions for the Period were as follows:

Cash Distributions – 2004



Units Outstanding

On March 8, 2004, BPI exchanged 660,622 Class A units for an equal amount of Fund units. BPI then sold these Fund units to the public. At December 31, 2004 there were 8,728,674 public Fund units issued, 10,910,842 on a fully diluted basis, and BPI had a 20% indirect interest in the Fund.

Tax Treatment of Distributions

Of the $1.11 in distributions declared per unit during the Period, 22.5% or $0.25 per unit represents a tax deferred return of capital and 77.5% or $0.86 per unit is taxable as income from property.

FOURTH QUARTER OPERATING RESULTS

SSSG

SSSG, the key metric for growth of the Fund, was 5.2% for the fourth quarter.

Revenues

For the fourth quarter royalty income received by the Fund was $3,301,634 and interest income was $452,740. The royalty income was based on the Royalty Pool of 177 Boston Pizza restaurants in Canada reporting Franchise Sales of $82,540,841.

Operating Expenses

The Fund's consolidated operating expenses for the further quarter were $213,483: $62,363 of interest expense on its $5 million term loan, $8,550 for amortization of deferred financing charges on its credit facilities, and $142,570 for general and administrative expense.

Subsequent Events

Subsequent to December 31, 2004, Boston Pizza opened three new locations bringing the total number of locations open as of March 15, 2005 to 198.

On January 1, 2005, 18 new Boston Pizza restaurants were added to the Royalty Pool; the locations opened during the period November 2, 2003 to November 1, 2004. In return for adding the royalty revenue from these 18 new restaurants to the Royalty Pool, BPI received the right to acquire an additional 1,033,746 units of the Fund. The 1,033,746 represents 80% of the Additional Entitlements with the balance received when the actual full year performance of the new restaurants is known with certainty. The 1,033,746 Additional Entitlements represented 8.65% of the Fund units on a fully diluted basis. BPI also receives an increase in monthly distributions based on 100% the Additional Entitlements. The calculation for the number of Additional Entitlements received by BPI is designed to be accretive to existing Fund Unitholders as the additional royalty revenues from the new restaurants are licensed to the Fund at a 7.5% discount. The estimated royalty revenue the Fund will receive in 2005 from these additional 18 restaurants is $1,555,508. The royalty revenue for the purposes of calculating the Additional Entitlement, therefore, is $1,438,845 or 92.5% of $1,555,508. Once the actual performance of these 18 restaurants for 2005 is known, the number of Additional Entitlements will be adjusted in 2006 to reflect the actual royalty revenue received by the Fund in 2005. As of January 1, 2005 there were 195 restaurants in the Royalty Pool.

In January 2005 an audit of the royalty revenues of the 15 locations that were added to the Royalty Pool on January 1, 2004 was completed. The purpose of this audit was to compare actual royalty revenue from these 15 locations to the estimated amount of royalty revenue the Fund expected to receive. The original royalty revenue the Fund expected to receive was $1,017,716 and the actual royalty revenue that the Fund received was $992,218. As a result, BPI made a cash payment to the Fund of $25,747 for this nominal mismatch in royalty revenue. Since BPI only receives the right to acquire 80% of the Additional Entitlement at the Adjustment Date in 2004, BPI received the right to acquire its adjusted remaining portion of the Additional Entitlements or 161,463 Additional Entitlements following this audit.

On February 22, 2005 BPI exchanged 956,167 exchangeable securities for an equal number of Fund units. BPI then sold these Fund units to the public. As of March 15, 2005 there were 9,684,841 Fund units issued, 12,106,052 on a fully diluted basis, and BPI had a 20% indirect interest in the Fund. BPI has committed to maintain a minimum 20% indirect interest in the Fund until there are 275 restaurants in the Royalty Pool.

LIQUIDITY & CAPITAL RESOURCES

The Fund's distribution policy is to distribute all available cash in order to maximize returns to Unitholders. In light of small seasonal variations that are inherent to the restaurant industry, the Fund's policy is to make equal distribution payments to Unitholders on a monthly basis in order to smooth out these fluctuations. Any further increase in distributions will be implemented in such a manner so that the continuity of uniform monthly distributions is maintained, while making provisions for working capital due to seasonal variations of Boston Pizza restaurant sales.

The $5 million non-revolving term loan facility was arranged during the IPO to partially finance the purchase of the BP Rights from BPI, and to

provide term debt as part of the capital structure. In order for the term loan to be in good standing with the lending bank, earnings before interest, depreciation, and amortization ("EBITDA" [4]) of the Boston Pizza Royalties Limited Partnership (the "Partnership") for any four consecutive quarters must be at minimum $7,500,000. For the four quarters in 2004 EBITDA of the Partnership was $12,733,155. In addition, any change in ownership of the Partnership or the Boston Pizza Holdings Trust requires prior approval of the lending bank other wise the bank may accelerate repayment of the term loan. In July the Fund arranged for the renewal of the $5 million non-revolving term loan. The loan was scheduled to mature on July 16, 2005. The new maturity date is July 5, 2007.

The Fund also has a $1 million operating line of credit to allow for any seasonal variations that could result in mismatches between royalty revenue inflows and distributions to Unitholders of the Fund. The term of this facility is 364-day revolving. During the Period this operating line of credit was renewed.

The Fund is well capitalized. As of December 31, 2004 the Fund's $1 million operating line of credit was 100% available.

Critical Accounting Estimates

The Fund annually reviews the book value of the intangible assets for impairment. The intangible assets are comprised primarily of the BP Rights and at year-end were reported at $122,904,145. The review is based on the unit price throughout the fiscal year compared to the IPO unit price, distributable cash throughout the fiscal year compared to the level set out in the prospectus, and any legal issues that may have a significant impact on the Fund. The Fund reviewed the intangible assets as at December 31, 2004 and concluded there was no impairment.

Adoption of New Accounting Policies

During the Period, the Fund adopted the new Canadian Institute of Chartered Accountants recommendations of the Emerging Issues Committee (EIC-151) relating to the presentation of exchangeable securities issued by subsidiaries of income funds. The new recommendations require that the exchangeable securities issued by a subsidiary of an income fund be presented on the consolidated balance sheet of the income fund as a part of Unitholders' equity if:

- the holders of the exchangeable securities are entitled to receive distributions of earnings economically equivalent to distributions received by units of the income fund, and
- the exchangeable securities ultimately are required to be exchanged for units of the income fund as a result of the passage of fixed period of time or the non-transferability to third parties of the exchangeable securities without first exchanging them for units of income fund.

Class A Partnership units and Class B Partnership units meet these criteria and have been re-classified as Unitholders' equity. Previously, these Partnership units were classified as non-controlling interest. This recommendation is applied retroactively with restatement of prior periods. This change has resulted in:

- Reclassification of $43,377,652 (2003 – $30,368,641) of Class A and Class B Partnership units from non-controlling interest to Unitholders' equity. The initial value of $18 million assigned to Class B Partnership units for additional royalties from future stores are recorded as contributed surplus within Unitholders' equity.
- Decrease in non-controlling interest on the statement of earnings by $2,787,336 (2003 – $2,408,853) and an increase in net earnings by the same amount.
- Increase in intangible asset by $13,555,245 and increase in Class B Partnership equity by the same amount.

OUTLOOK

Boston Pizza is well positioned for future growth and should continue to strengthen its position as the number one casual dining brand in Canada. In 2005 BPI management anticipates that 25 new locations will open across Canada, with two of these locations being in the province of Quebec. The Company is on track to open over 100 new restaurants across Canada over the next five years. Opening these new locations will support the continuing enhancement of the Boston Pizza brand. In addition, BPI Management believes that in 2005 the organization can continue to deliver industry-leading SSSG from national and local marketing programs and BPI's unique renovation program that requires each location to renovate every seven years. BPI anticipates 15 locations will conduct major renovations, which will help facilitate the ongoing effort to deliver industry-leading SSSG. Management will continue to pursue further development in Western Canada, Ontario, and the Maritimes while aggressively pursuing additional opportunities in Quebec.

As with all forward-looking statements, due care and caution should be employed to ensure that appropriate interpretation is made. Please refer to the note 1 at the end of this document for further clarification.

4 EBITDA is not a measure recognized under Generally Accepted Accounting Principles. The EBITDA of the Partnership was calculated by taking Royalty Revenue plus Interest Revenue less General and Administrative Expenses

RISKS & UNCERTAINTIES

The Restaurant Industry

The performance of the Fund is directly dependent upon the royalty and interest payments received from BPI. The amount of royalty received from BPI is dependent on various factors that may affect the casual dining sector of the restaurant industry. The restaurant industry generally, and in particular the casual dining sector, is intensely competitive with respect to price, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants. If BPI and the Boston Pizza franchisees are unable to successfully compete in the casual dining sector, Franchise Sales may be adversely affected; the amount of royalty reduced and the ability of BPI to pay the royalty or interest on the BP Loan may be impaired. The restaurant industry is also affected by changes in demographic trends, traffic patterns, and the type, number, and location of competing restaurants. In addition, factors such as government regulations, smoking bylaws, inflation, publicity from any food borne illnesses, increased food, labour and benefits costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore potentially Boston Pizza Franchise Sales. BPI's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which could adversely affect revenue, the royalty and the ability of BPI to pay the royalty to the Fund or interest on the BP Loan.

Boston Chicken / Boston Market Litigation

Since 1995, BPI has been challenging Boston Chicken Inc.'s and Global Restaurant Operations of Ireland Limited's registration of the "Boston Chicken" trademark in Canada. In March 2003, the Federal Court of Appeal unanimously ordered the expungement of "Boston Chicken" from the trademark registry. The expungement of the "Boston Chicken" trademark is a significant victory because there is now only one owner (the Boston Pizza Royalties Limited Partnership ("Partnership") of registered trademarks using "Boston" in connection with restaurant foodservices in Canada. Additionally, since 1995 BPI has opposed the registration of the "Boston Market" trademark. As a result, "Boston Market" is not yet a registered trademark. BPI and the Partnership intend to oppose the registration of this and any other trademark by Boston Market and/or any other parties if the proposed trademark contains, among others, the word "Boston" in connection with food, food products and/or restaurant food services. In 2002 BPI and the Partnership commenced legal action against Global Restaurant Operations of Ireland Limited, Boston Market Canada Company, Boston Market Corporation, and McDonald's Restaurants of Canada Limited (the "McDonald's Group") for trademark infringement over the McDonald's Group's use of "Boston Market". BPI management and the Partnership intend to continue to vigorously prosecute any infringement or unauthorized use of the Boston Pizza trademarks. In the fall of 2002 the McDonald's Group issued a counterclaim and commenced a separate expungement proceeding challenging the registration of the Boston Pizza trademarks owned by the Partnership, some of which have been registered, and in use for over 30 years. BPI management believes that this is a tactical maneuver by the McDonald's Group and is unlikely to succeed. However, in the unlikely event that the challenge to the Boston Pizza trademarks is successful, the Partnership would lose the benefits of registration of the trademarks under the Trade-Marks Act (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However the loss of the registration under the Trade-Marks Act (Canada) would not prevent the Partnership from continuing to license and use the "Boston Pizza" and related trademarks or from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and in areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants. The parties are waiting for trial and expungement proceeding dates. BPI management believes that ultimately, BPI and the Partnership will be successful in its litigation with the McDonald's Group. However, there are no assurances or certainty as to the eventual outcome of these legal proceedings.

Other

For a more detailed list of risks and uncertainties please refer to the Fund's Annual Information Form which is available at www.sedar.com.

1 Certain statements in this annual report may constitute "forward-looking" statements which involve known and unknown risks uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this annual report such statements are such words as "may", "will", "expect", "believe", "plan", and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this annual report. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in national and local business and economic conditions, legislation and governmental regulation, accounting policies and practices; and the results of operations and financial condition of BPI. The foregoing list of factors is not exhaustive.

AUDITORS' REPORT TO THE UNITHOLDERS OF BOSTON PIZZA ROYALTIES INCOME FUND

YEARS ENDED DECEMBER 31, 2004 AND 2003

We have audited the consolidated balance sheets of Boston Pizza Royalties Income Fund as at December 31, 2004 and 2003 and the consolidated statements of earnings, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
January 31, 2005

BOSTON PIZZA
ROYALTIES INCOME FUND

CONSOLIDATED BALANCE SHEETS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
		(Changes in basis of presentation 2(a))
ASSET:		
Current assets:		
Cash	$ 470,595	$ 273,890
Due from Boston Pizza International Inc. *(note 3)*	1,325,184	1,186,755
Loan receivable from Boston Pizza International Inc. *(note 9(a))*	4,113,789	3,787,587
Prepaid expenses	51,850	54,938
	5,961,418	5,303,170
Note receivable from Boston Pizza International Inc. *(note 4)*	24,000,000	24,000,000
Intangible assets *(note 5)*	122,904,145	109,348,900
Deferred financing charges, net of accumulated amortization of $74,250 (2003 – $42,500)	28,250	47,500
	$ 152,893,813	$ 138,699,570
LIABILITIES AND UNITHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 141,515	$ 150,960
Distributions payable to fund unitholders	844,063	699,496
Distributions payable to Boston Pizza International Inc. *(note 9)*	4,683,599	4,193,310
	5,669,177	5,043,766
Term loan *(note 8)*	5,000,000	5,000,000
Non-controlling interest *(note 9)*	24,000,000	24,000,000
Unitholders' equity	118,224,636	104,655,804
	$ 152,893,813	$ 138,699,570

Nature of operations *(note 1)*

Contingency *(note 12)*

Subsequent events *(note 14)*

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

John Cowperthwaite　　William Brown　　Robert Phillips

CONSOLIDATED STATEMENTS OF EARNINGS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
		(Changes in basis of presentation 2(a))
Franchise revenues reported by Boston Pizza Restaurants included in royalty pool *(notes 1(c) and 2(b))*	$ 329,892,643	$ 286,364,021
Revenue *(notes 1(c) and 2(b)):*		
Royalty income	$ 13,195,706	$ 11,454,561
Interest income	1,807,801	1,803,434
	15,003,507	13,257,995
Expenses:		
General and administrative *(note 11)*	470,352	572,696
Interest	238,390	271,884
Amortization of deferred financing charges	31,750	30,000
	740,492	874,580
Earnings before non-controlling interest	14,263,015	12,383,415
Non-controlling interest *(note 9)*	1,800,000	1,800,000
Net earnings	$ 12,463,015	$ 10,583,415
Weighted average units outstanding *(note 10(b))*	11,095,429	10,197,133
Basic and diluted earnings per unit	$ 1.13	$ 1.04

See accompanying notes to consolidated financial statements.

BOSTON PIZZA
ROYALTIES INCOME FUND

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2004 AND 2003

	Fund units			Class A Partnership units		
	Number		Amount	Number		Amount
Balance as at December 31, 2002	7,690,000	$	70,386,000	1,605,290	$	16,052,900
Exchange of Class A Partnership units for Fund units *(note 9(b))*	378,052		3,780,520	(378,052)		(3,780,520
Adjustment based on actual performance of stores added to Royalty Pool *(note 9(c))*	–		–	–		–
Additional entitlement on addition of new stores to the Royalty Pool *(note 9(c))*	–		–	–		–
Net earnings	–		–	–		–
Distributions	–		–	–		–
Balance as at December 31, 2003	8,068,052		74,166,520	1,227,238		12,272,380
Exchange of Class A Partnership units for Fund units *(note 9(b))*	660,622		6,606,220	(660,622)		(6,606,220
Effect of change in accounting policy for new stores added to Royalty Pool up to December 31, 2003	–		–	–		–
Adjustment based on actual performance of stores added to Royalty Pool *(note 9(c))*	–		–	–		–
Additional entitlement on addition of new stores to the Royalty Pool *(note 9(c))*	–		–	–		–
Net earnings	–		–	–		–
Distributions	–		–	–		–
Balance as at December 31, 2004	8,728,674	$	80,772,740	566,616	$	5,666,160

See accompanying notes to consolidated financial statements.

Class B Partnership Equivalent units (note 9(c)) Number	Amount	Contributed surplus (note 9(c))	Cumulative net earnings	Total unitholders' equity
				(Changes in basis of presentation 2(a))
318,643	$ 2,160,000	$ 15,840,000	$ 113,759	$ 104,552,659
–	–	–	–	–
22,859	–	–	–	–
560,341	1,440,000	(1,440,000)	–	–
–	–	–	10,583,415	10,583,415
–	–	–	(10,580,270)	(10,480,270)
901,843	3,600,000	14,400,000	216,904	104,655,804
–	–	–		–
–	5,521,670	–	–	5,521,670
(24,636)	(249,316)	–	–	(249,316)
922,932	10,982,891	(2,700,000)	–	8,282,891
–	–	–	12,463,015	12,463,015
–	–	–	(12,449,428)	(12,449,428)
1,800,139	$ 19,855,245	$ 11,700,000	$ 230,491	$ 118,224,636

BOSTON PIZZA
ROYALTIES INCOME FUND

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003 (Changes in basis of presentation 2(a))
Cash provided by (used in):		
Operations:		
Net earnings	$ 12,463,015	$ 10,583,415
Items not involving cash:		
Amortization of deferred charges	31,750	30,000
Non-controlling interest	1,800,000	1,800,000
Change in non-cash operating working capital *(note 13(a))*	(144,786)	(258,903)
	14,149,979	12,154,512
Financing:		
Distributions paid to unitholders	(9,517,523)	(8,012,498)
Loan receivable from Boston Pizza International Inc.	(4,113,789)	(3,787,587)
Distributions paid to Boston Pizza International Inc.	(309,462)	(325,807)
Deferred financing charges	(12,500)	–
	(13,953,274)	(12,125,892)
Increase in cash	196,705	28,620
Cash, beginning of year	273,890	245,270
Cash, end of year	$ 470,595	$ 273,890

See note 13(b) for supplementary cash flow information.

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND NATURE OF OPERATIONS:

(a) Organization:

Boston Pizza Royalties Income Fund (the "Fund") is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia. Pursuant to the Declaration of Trust signed July 8, 2002, an amount equal to all of the income of the Fund together with the non-taxable portion of any net capital gain realized by the Fund will be distributed by the Fund to its unitholders each month. As a result, the Fund will not be liable for income taxes. Income tax obligations related to the distributions by the Fund are obligations of the unitholders.

The Fund was established to indirectly, through the Boston Pizza Royalties Limited Partnership (the "Partnership"), acquire the trademarks and trade names owned by Boston Pizza International Inc. ("BPI") and used in connection with the operation of Boston Pizza restaurants in Canada (collectively, the "BP Rights"). The BP Rights do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the Trademarks Act (Canada). The BP Rights also exclude certain restaurant locations in Canada, primarily those locations that were opened subsequent to the formation of the Fund and have not been rolled into the Royalty Pool of the Fund (note 14).

The Fund was also established to acquire, directly from a bank, the BPI loan (the "BP Loan") in the principal amount of $24 million.

(b) Nature of operations:

BPI carries on business as a franchisor of casual dining pizza and pasta restaurants and operates only in Canada. The rights to operations outside of Canada, which are owned by an affiliated company, and certain restaurants in Canada, as noted above, are not included in the Royalty Pool of the Fund.

Substantially all of the Fund's revenues are earned from certain operations of BPI and, accordingly, the revenues of the Fund and its ability to pay distributions to unitholders is dependent on the ongoing ability of BPI to generate and pay royalties to the Fund.

(c) Operations:

On January 1, 2004, 15 (2003 – 8) new Boston Pizza restaurants opened during the period from November 2, 2002 to November 1, 2003 were added to the Royalty Pool. The franchise revenue of these 15 new restaurants has been estimated at $25,442,890 (2003 – $15,086,000). The total number of restaurants in the Royalty Pool has increased to 177 (2003 – 162). The yield of the Fund units was determined to be 9.25% calculated using a weighted average unit price of $11.03. Weighted average unit price is calculated based on the market price of the units traded on the TSX Stock Exchange during the period of twenty consecutive days ending on the fifth trading day before January 1, 2004. As a result of the contribution of the additional franchise sales to the Royalty Pool, and assuming 100% of the Additional Entitlement, BPI's Additional Entitlement is equivalent to 922,932 (2003 – 560,341) Fund units. BPI will also receive a proportionate increase in monthly distributions from the Fund. Of the Additional Entitlement, 20% (2004 – 184,587 units; 2003 – 112,068 units), remain unissued and are not eligible for conversion to Fund units until January 1, 2005 (2003 units – January 1, 2004) based on the actual performance of the new stores.

On January 1, 2004, adjustments to royalty payments and Additional Entitlement were made based on the actual performance of eight restaurants added to the Royalty Pool on January 1, 2003. Based on these adjustments, BPI received the remainder of its Additional Entitlement, 87,432 Fund units. BPI also repaid an amount of $25,129 for monthly distributions to the Fund.

On March 8, 2004, BPI exchanged 660,622 Class A units for an equal amount of Fund units. BPI then sold these Fund units to the public. As of December 31, 2004, there were 8,728,674 Fund units issued and BPI had a 20% indirect interest in the Fund.

BPI has committed to maintain a minimum of 20% indirect interest in the Fund until there are 275 restaurants in the Royalty Pool.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Fund, its wholly-owned subsidiary Boston Pizza Holdings Trust (the "Trust"), its 80%-owned subsidiary Boston Pizza GP Inc. ("BPGP") and its interest in the Partnership (collectively the "Companies" or "Fund"). BPGP is the managing general partner and BPI is a general partner of the Partnership. All residual ownership of the Companies is either directly or indirectly controlled by BPI.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

All significant intercompany transactions have been eliminated.

Effective January 1, 2004, the Fund prospectively adopted new recommendations of the Canadian Institute of Chartered Accountants on what constitutes Canadian generally accepted accounting principles and its sources. As a result of this change, Class B Partnership units held by Boston Pizza International Inc. ("BPI") which are entitled to receive full distributions from the Partnership and are exchangeable for Fund units which were previously recorded at book values are now recorded at their fair value at the date of determination of the respective Additional Entitlement. The increase in the value of these Class B Partnership units has been accounted for as an additional cost of the purchase of additional royalties from new Boston Pizza restaurants included in the Royalty Pool and accordingly has been reflected as an increase in the value of intangible assets.

During the year, the Fund also adopted the new Canadian Institute of Chartered Accountants recommendations of the Emerging Issues Committee (EIC-151) relating to the presentation of exchangeable securities issued by subsidiaries of income funds. The new recommendations require that the exchangeable securities issued by a subsidiary of an income fund be presented on the consolidated balance sheet of the income fund as a part of unitholders' equity if:

- the holders of the exchangeable securities are entitled to receive distributions of earnings economically equivalent to distributions received by units of the income fund, and
- the exchangeable securities ultimately are required to be exchanged for units of the income fund as a result of the passage of fixed period of time or the non-transferability to third parties of the exchangeable securities without first exchanging them for units of income fund.

Class A Partnership units and Class B Partnership units meet these criteria and have been classified as equity. Previously, these Partnership units were classified as non-controlling interest. This recommendation is applied retroactively with restatement of prior periods. This change has resulted in:

- Reclassification of $43,377,652 (2003 – $30,368,641) of Class A and Class B Partnership units from non-controlling interest to unitholders' equity. The initial value of $18 million assigned to Class B Partnership units for additional royalties from future stores is recorded as contributed surplus within unitholders' equity.
- Decrease in non-controlling interest on the statement of earnings by $2,787,336 (2003 – $2,408,853) and an increase in net earnings by the same amount.
- Increase in intangible asset (note 5) by $13,555,245 and increase in Class B Partnership equity by the same amount.

(b) Revenue recognition:

Royalty revenue is equal to four percent of franchise revenue, of specific Boston Pizza Restaurants included in the Royalty Pool. Franchise revenue includes gross revenues reported by Boston Pizza Restaurants to BPI excluding revenue from the sale of liquor, beer, wine and tobacco, revenue from BPI approved national promotions and discounts, sales and goods and services tax or similar amount levied by any governmental or administrative authority, and excluding initial or renewal franchise fees charged by BPI upon the establishment or renewal of franchises and franchise agreements. Royalty revenue is recognized monthly on an accrual basis.

Interest revenue is recognized and accrued when earned.

(c) Intangible assets:

Intangible assets consisting of trademarks, trade names, operating procedures and systems and other intellectual property used in connection with the operation of the Boston Pizza Restaurants are recorded at cost. Management of the Fund reviews the carrying value of the intangible assets at least annually, taking into consideration any events or circumstances which may impair the carrying value. If a permanent decline in the carrying amount is determined, the intangible assets will be written down to their estimated net recoverable amount.

(d) Deferred financing charges:

Deferred financing charges are related to the term loan and are amortized on a straight-line basis over the three-year term of the loan.

(e) Distributions:

The amount of cash to be distributed to Fund unitholders is determined with reference to distributable cash, which is calculated as net earnings adjusted for amortization, non-controlling interest entitlements, other non-cash charges and repayment of principal and interest on the term loan. Distributions to Fund unitholders are recorded when declared, made monthly and are subject to the Fund retaining such reasonable working capital reserves as may be considered appropriate by the trustees of the Fund. Distributions to Class A and Class B Partnership units are recorded upon entitlement to earnings as achieved, which is typically based on the earnings of the Partnership.

(f) Earnings per Fund unit:

The earnings per Fund unit are based on the weighted average number of Fund units and exchangeable Class A and B Partnership units outstanding during the period.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment in the value of assets, useful lives for amortization and provisions for contingencies. Actual results could differ from those estimates.

(h) Financial instruments:

The Fund's financial instruments consist of cash, accounts and notes receivable, due from Boston Pizza International Inc., accounts payable and accrued liabilities, distributions payable, and term loan. Management estimates that the fair values of these financial instruments approximate their carrying values. It is management's opinion that the Fund is not exposed to significant interest rate or credit risk from these financial instruments.

3. DUE FROM BOSTON PIZZA INTERNATIONAL INC.:

	2004	2003
Royalty fee receivable	$ 1,175,184	$ 1,036,755
Interest on note receivable (*note* 4)	150,000	150,000
	$ 1,325,184	$ 1,186,755

4. NOTE RECEIVABLE FROM BOSTON PIZZA INTERNATIONAL INC.:

	2004	2003
Note receivable with interest payable monthly at 7.5% per annum, due July 17, 2042	$ 24,000,000	$ 24,000,000

The note arose at the time of the acquisition of the trademarks and trade names from BPI in July 2002 and is secured by a general security agreement. The note may not be assigned without the prior consent of BPI.

5. INTANGIBLE ASSETS:

On July 17, 2002, the Fund acquired the BP Rights used in the operation of the Boston Pizza restaurants in Canada for $109,348,900. Concurrent with the acquisition of the BP Rights, the Fund granted BPI a license to use the BP Rights for a term of 99 years for which BPI pays the Fund a royalty of 4% of the franchise revenues as reported by BPI for those restaurants in the Royalty Pool, as defined in the License and Royalty Agreement.

In accordance with the terms of the Partnership agreement, the Fund provided BPI an Additional Entitlement (note 14(a)) to receive distributions on 922,932 (2003 – 560,341) Class B Partnership units in exchange for the addition of royalties from new Boston Pizza restaurants included in the Royalty Pool. The Fund has adopted a policy of accounting for the entitlement of the Class B Partnership units based on the fair value of these Partnership units at the date of determination of the entitlement which results in an increase in intangible assets and non-controlling interest (notes 2(a) and 9).

	(Changes in basis of presentation 2(a))
Initial consideration	$ 109,348,900
2002 increase to the Royalty Pool	1,291,020
2003 increase to the Royalty Pool	3,981,334
2004 increase to the Royalty Pool	8,282,891
	$ 122,904,145

6. DISTRIBUTABLE CASH:

	2004	2003
		(Changes in basis of presentation 2(a))
Earnings for the year	$12,463,015	$10,583,415
Amortization of deferred financing charges	31,750	30,000
Non-controlling interest	1,800,000	1,800,000
	14,294,765	12,413,415
Distributable cash required for non-controlling interest	(1,800,000)	(1,800,000)
Distributable cash available for Fund units	$12,494,765	$10,613,415
Weighted average units outstanding	11,095,429	10,197,133

Distributable cash is not an earnings measure recognized by generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other issuers.

7. OPERATING LINE OF CREDIT:

The Fund has a demand operating facility of up to $1,000,000 to fund the working capital requirements and for general purposes. The facility bears interest at the prevailing bank prime rate plus 0.75%, is repayable on demand and has a 364-day revolving term. As at December 31, 2004 and 2003, the full amount of the facility was available. The facility is collateralized as part of the term loan (note 8).

8. TERM LOAN:

The Fund has a term loan in the amount of $5,000,000. The facility bears interest at the prevailing bank prime rate plus 0.75%.

On July 5, 2004, the $5,000,000 term loan was renewed with a new maturity date of July 5, 2007. A fee of $12,500 was paid on renewal and is being amortized over 3 years.

A general security agreement over the assets of the Partnership is provided as security.

9. NON-CONTROLLING INTEREST:

Non-controlling interest relates to BPI's interest in the Fund as follows:

	2004	2003
		(Changes in basis of presentation 2(a))
Class C Boston Pizza Royalties Limited Partnership units (d)	$24,000,000	$24,000,000

(a) Loans receivable from and distributions payable to Boston Pizza International Inc.:

BPI has exercised its right to receive its entitlement to monthly cash distributions from the Partnership by way of a loan. The loan to BPI and the distributions payable to BPI were settled subsequent to December 31, 2004 (note 14(c)). For purposes of financial statement presentation, the loan receivable from and related distributions payable to BPI have been presented separately as there is no legal right of offset against each of these balances. The following amounts have been paid to BPI during the period:

	2004	2003
Loans to BPI in lieu of distributions from the Partnership	$ 4,113,789	$ 3,787,587
Payment of distributions to BPI	309,462	325,807
	$ 4,423,251	$ 4,113,398

(b) Class A Partnership units:

BPI has the right to exchange each Class A Partnership unit it holds for one unit of the Fund ("Units") by delivering such Class A Partnership units to the Trust. Class A Partnership units carry voting rights equal to the number of units into which such Class A Partnership units are exchangeable at the time. Subject to the prior rights of the holders of the Class C Partnership units, the holders of the Class A Partnership units will be entitled to receive a cumulative preferential cash distribution in an amount equal to the total distribution in respect of Class C Partnership units multiplied by the number of issued Class A Partnership units divided by the number of issued Partnership units. Class A Partnership units are also entitled to a pro rata share of residual distributions of the Partnership.

During the year, BPI exchanged 660,622 (2003 – 378,052) Class A Partnership units for 660,622 (2003 – 378,052) units of the Fund. This exchange was recorded at the Fund's carrying value of $10.00 per Partnership unit.

As described in note 2(a), Class A Partnership units are classified as unitholders' equity commencing on January 1, 2004 and prior period has been restated.

(c) Class B Partnership units:

BPI has the right to exchange each Class B Partnership unit it holds for a number of Fund Units based, at any time, on a defined calculation which is based in part on the net franchise revenues from restaurants opened subsequent to July 17, 2002 ("Equivalent units"). Class B Partnership units held by BPI carry voting rights equivalent to the number of units into which such Class B Partnership units are exchangeable at that time. Subject to the prior rights of the holders of Class C Partnership units, the holders of the Class B Partnership units will be entitled to receive a cumulative preferential cash distribution equal to the distribution on Class C Partnership units multiplied by the number of Class B Partnership units issued, multiplied by a defined ratio which is based in part on the net franchise revenues from restaurants opened subsequent to July 17, 2002, and divided by the number of issued LP units. Class B Partnership units are also entitled to a pro rata share of residual distributions of the Partnership.

As described in note 1(c), on January 1, 2004, Class B Partnership units received Additional Entitlement (note 14(a)) equivalent to 922,932 units (2003 – 560,341 units), upon adding new stores to the Royalty Pool. The fair value of these exchangeable units of $10,982,891 (2003 – $5,670,651) was based on the fair value of Fund units at the time of Additional Entitlement. As described in note 2(a), the Additional Entitlement to distributions has resulted in an increase in intangible assets and unitholders' equity totalling $8,282,891. Based on the performance of the restaurants added to the Royalty Pool on January 1, 2003, Additional Entitlement was reduced by 24,636 units in January, 2004 (2003 – increase of 22,859 units). As discussed in note 2(a), those Class B units are classified as unitholders' equity commencing January 1, 2004. The initial fair value of $18 million assigned to Class B Partnership units for additional royalties from future stores to be added to the Royalty Pool, is recorded as contributed surplus. As the stores are added to the Royalty Pool, a portion of this value is reclassified to Class B Partnership Equivalent units.

(d) Class C Partnership units:

Class C Partnership units carry no voting rights. The holders of Class C Partnership units will be entitled to receive a monthly cumulative preferential cash distribution equal to $0.0625 per Class C Partnership unit. BPI, as holder of Class C Partnership units, will have the right to transfer such Class C Partnership units to the Trust in consideration for the assumption by the Trust of, and the concurrent release of BPI of its obligations with respect to, an amount of the indebtedness under the BP loan equal to $10.00 for each Class C Partnership unit to be transferred.

10. INCOME FUND UNITS:

(a) The Declaration of Trust of the Fund provides that an unlimited number of Fund units may be issued. Each Fund unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund. All units have equal rights and privileges. Each Fund unit entitles the holder thereof to participate equally in the allocations and distributions and to one vote at all meetings of Fund unitholders for each whole Fund unit held. The Fund units issued are not subject to future calls or assessments.

Pursuant to the Declaration of Trust, the holders, other than the Fund or its subsidiaries, of the Class A Partnership units and Class B Partnership units will be entitled to vote in all votes of Fund unitholders as if they were holders of the number of Fund units they would receive if Class A Partnership units and Class B Partnership units were exchanged into Fund units as at the record date of such votes, and will be treated in all respects as Fund unitholders for the purpose of any such votes.

Fund units are redeemable at any time at the option of the holder at a price based on market value as defined in the trust agreement, subject to a maximum of $50,000 in cash redemptions by the Fund in any one month. The limitation may be waived at the discretion of the Trustees of the Fund. Redemption in excess of these amounts, assuming no waiving of the limitation, shall be paid by way of distribution in specie of a pro rata number of securities of the Trust held by the Fund.

(b) Weighted average units outstanding:

	2004	2003
Fund units	8,728,674	8,068,052
Class A Partnership units	566,616	1,227,238
Class B Partnership units	1,800,139	901,843
	11,095,429	10,197,133

11. RELATED PARTY TRANSACTIONS:

The Fund has engaged BPI to provide certain administrative services on behalf of the Fund. These services were provided by BPI for no charge.

BPI is a related party by virtue of holding certain Partnership units.

Other transactions with BPI are referred to elsewhere in these consolidated financial statements.

12. CONTINGENCY:

Boston Pizza International Inc. ("BPI") and the Fund are involved in trademark litigation with entities affiliated with McDonald's Restaurant of Canada (the "McDonalds' Group"), opposing the registration by the McDonald's Group in Canada of the Boston Market trademark. Management of BPI believes that there is a likelihood that the trademark will not be registered. Additionally, BPI and the Fund have commenced an action against the McDonald's Group to prevent them from infringing BPI's and the Fund's respective interests in the trademarks by operating Boston Market in Canada. The McDonald's Group has filed a counterclaim and a separate action challenging the validity of the registered trademark "Boston Pizza" and related trademarks under the Trade-Marks Act (Canada). Management does not believe that this action will succeed. However, in the event that the challenge to the Boston Pizza trademarks is successful, the Fund would lose the benefits of registration of its trademarks under the Trade-Marks Act (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However, the loss of the registration under the Trade-Marks Act (Canada), would not prevent the Fund from continuing to license and use the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks, in new areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants.

13. SUPPLEMENTARY CASH FLOW INFORMATION:

	2004	2003
(a) Change in non-cash working capital:		
Due from Boston Pizza International Inc.	$ (138,429)	$ (11,415)
Prepaid expenses	3,088	(11,933)
Accounts payable and accrued liabilities	(9,445)	(235,555)
	$ (144,786)	$ (258,903)
(b) Supplementary information:		
Interest received	$ 1,807,801	$ 1,803,434
Interest paid	239,452	271,884
Non-cash financing and investing activities:		
Distributions payable to unitholders	844,063	699,496
Distributions payable to Boston Pizza International Inc.	4,466,907	4,193,310
Receivable from Boston Pizza International Inc. for adjustment for stores added to the Royalty Pool on January 1, 2004	25,747	25,129
Settlement of loan receivable from BPI against distributions payable to BPI	3,787,587	620,527
Exchange of Class A Partnership (non-controlling interest units) for fund units	6,602,220	–
Increase in intangible assets and non-controlling interest (BPI) on addition of new restaurants to Royalty Pool	13,555,245	–

14. SUBSEQUENT EVENTS:

(a) Annually, on January 1, the Boston Pizza restaurants in the Royalty Pool on which BPI pays a royalty to the Fund are adjusted to include the adjusted franchise revenue from new Boston Pizza restaurants opened on or before November 1 of the prior year, less franchise revenue from any Boston Pizza restaurants that have permanently closed during the year. In return for adding this net franchise revenue to the Royalty Pool, Boston Pizza receives the right to indirectly acquire additional Fund units (the "Additional Entitlement"). The Additional Entitlement is calculated as 92.5% of the royalty revenue added to the Royalty Pool, divided by the yield of the Fund Units. Boston Pizza receives 80% of the Additional Entitlement initially, with the balance received when the actual full year performance of the new restaurants is known with certainty. Monthly distributions from the Fund are based on full Additional Entitlement, subject to adjustment on January 1 of next fiscal year when full year performance of the new restaurants is known with certainty.

On January 5, 2005, 18 new Boston Pizza restaurants opened during the period from November 2, 2003 to November 1, 2004 were added to the Royalty Pool. The franchise revenue of these 18 new restaurants has been estimated at $37.9 million annually. The total number of restaurants in the Royalty Pool has increased to 195. The yield of the Fund units was determined to be 7.58% calculated using a weighted average unit price of $14.69. Weighted average unit price is calculated based on the market price of the unit traded on the TSX during the period of twenty consecutive days ending on the fifth trading day before January 1, 2005. As a result of the contribution of the additional net sales to the Royalty Pool, BPI received 80% of Additional Entitlement of 1,292,182 Fund Units, being 8.65% of the issued and outstanding Fund units on a fully diluted basis. BPI will also receive a proportionate increase in monthly distributions from the Fund. The fair value of the Additional Entitlement is $18.7 million and is based on the fair value of Fund units. As described in note 2(a), the Additional Entitlement to distributions will result in an increase in intangible assets and unitholders' equity by $15.5 million.

(b) On January 1, 2005, adjustments to royalty payments and Additional Entitlement were made based on the full year performance of new restaurants added to the Royalty Pool on January 1, 2004 (note 1(c)). Based on these adjustments, BPI received its remaining 20% of Additional Entitlement of 161,463 additional Fund units, 1.33% of the issued and outstanding Fund units on a fully diluted basis. BPI will also repay an amount of $25,747 for monthly distributions to the Fund.

Following this event and the event in note 14(a), BPI now holds securities convertible into 3,377,378 Fund units which equates to 27.9% of the fully diluted units of the Fund. BPI has agreed to maintain at least a 20% ownership, direct or indirect, in the Fund until such time as there are 275 restaurants in the Royalty Pool.

(c) On January 4, 2005, the loan to BPI and distributions payable to BPI of $4,113,789 were settled.

FINANCIAL HIGHLIGHTS

The following table sets out selected historical information and other data of Boston Pizza International Inc. ("BPI"), which should be read in conjunction with the attached year-end consolidated financial statements of BPI.

	January 1, 2004 to December 31, 2004	January 1, 2003 to December 31, 2003	September 1, 2002 to December 31, 2002
	(in thousands of dollars)		
Restaurant System Franchise Sales[1]	$ 352,015	$ 300,513	$ 90,811
Income Statement Data			
Total Revenue	$ 40,747	$ 36,090	$ 10,608
Royalty expense	$ 13,196	$ 11,455	$ 3,517
Earnings	$ 4,728	$ 4,369	$ 1,344
Net income	$ 3,020	$ 1,616	$ 354

Notes:

1 Represents the Franchise Sales of the two restaurants owned by BPI and the Franchise Sales reported to BPI by franchised Boston Pizza restaurants without audit. Franchise Sales are Gross Sales after deducting revenue from the sale of liquor, beer, wine and tobacco and revenue from BPI approved national promotions & discounts

	December 31, 2004	December 31, 2003	December 31, 2002
	(in thousands of dollars)		
Total Assets	$ 105,357	$ 88,096	$ 86,836
Total Liabilities	$ 134,731	$ 116,750	$ 117,844

	Q4, 2004	Q3, 2004	Q2, 2004	Q1, 2004
	(in thousands of dollars – unaudited)			
Restaurant System Franchise Sales[1]	$ 91,519	$ 95,409	$ 86,335	$ 78,752
Income Statement Data				
Total Revenue	$ 10,558	$ 10,825	$ 9,835	$ 9,529
Royalty expense	$ 3,301	$ 3,508	$ 3,301	$ 3,086
Earnings	$ 1,069	$ 1,680	$ 515	$ 1,464
Net income	$ 256	$ 968	$ (167)	$ 1,963

	Q4, 2003	Q3, 2003	Q2, 2003	Q1, 2003
	(in thousands of dollars – unaudited)			
Restaurant System Franchise Sales[1]	$ 79,537	$ 80,075	$ 74,057	$ 66,844
Income Statement Data				
Total Revenue	$ 9,830	$ 9,301	$ 8,719	$ 8,240
Royalty expense	$ 2,915	$ 3,059	$ 2,851	$ 2,630
Earnings	$ 1,356	$ 1,456	$ 1,042	$ 515
Net income	$ 881	$ 544	$ 375	$ (184)

OVERVIEW

This Annual Report covers the period of January 1, 2004 to December 31, 2004 (the "Period"). The Management Discussion and Analysis of the results of this Period is dated March 15, 2005. A copy of this Annual Report and additional information on BPI is available at www.sedar.com or www.bpincomefund.com.

Boston Pizza International Inc. ("BPI" or the "Company") is the franchisor of the Boston Pizza concept in Canada. The Company competes in the casual dining sector of the restaurant industry and is the number one casual dining brand in Canada. With 198 restaurants stretching from Victoria to Halifax, Boston Pizza has more locations and serves more customers annually than any other casual dining concept in Canada.

The Company charges a 7% royalty fee on Franchise Sales for all full-service Boston Pizza restaurants open in Canada and a 5% royalty fee on Franchise Sales for the three Boston Pizza Quick Express restaurants that are open in Canada. BPI pays the Boston Pizza Royalties Income Fund (the "Fund") a royalty fee of 4% of Franchise Sales of the specific royalty pool restaurants for the use of the Boston Pizza trademarks (the "BP Rights"[1]). There were 177 restaurants in the royalty pool (the "Royalty Pool") for this Period.

Of the 198 restaurants open in Canada as of March 15, 2005, only two are corporately owned. BPI's expenses are primarily comprised of providing services and support to the franchisee community, and the ongoing development of the Boston Pizza brand. As expansion is achieved through the organization's ability to sell franchises, BPI has minimal capital expenditure requirements.

On January 1 of each year ("Adjustment Date"), an adjustment is made to add to the Royalty Pool new Boston Pizza restaurants that have been open at least 60 days prior to that Adjustment Date. In return for adding this additional royalty revenue, BPI receives the right to indirectly acquire additional Fund units (the "Additional Entitlements"). The adjustment for new franchise revenues added to the Royalty Pool is designed to be accretive for Fund Unitholders. The Additional Entitlements are calculated at 92.5% of the royalty revenue added to the Royalty Pool, divided by the yield of the Fund, divided by the Weighted Average Unit Price. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the new restaurants is known with certainty. BPI receives 100% of distributions from the Additional Entitlements throughout the year. Once these new restaurants have been part of the Royalty Pool for a full year, an audit of the royalty revenues of these restaurants received from BPI will be performed. At such time an adjustment will be made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI. On January 1, 2004 15 new restaurants were added to the Royalty Pool and BPI received the right to acquire an additional 738,345 units of the Fund. The 738,345 represents 80% of the Additional Entitlements.

1 BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the Trademarks Act (Canada), and other trademarks and the trade names which are confusing with the registered or pending trademarks. The BP Rights purchased do not include the rights outside of Canada to any trademarks or trade names used by BP or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the Trademarks Act (Canada)

BUSINESS STRATEGY

The success of Boston Pizza can be attributed to three simple underlying principles that are the foundation for all strategic decision-making – the "Three Pillars" strategy.

- **The commitment to franchisee profitability**
- **The commitment to continually enhance the Boston Pizza brand**
- **The commitment to continually improve the customer experience**

The Company realizes that its franchisees have to be profitable to succeed. If they are successful, then Boston Pizza will be successful. To enhance profitability and to facilitate the growth of Boston Pizza, BPI aggressively enhances and promotes the Boston Pizza brand through national television and radio advertising, and national and local promotions. The costs associated with national marketing of Boston Pizza are paid for by Boston Pizza Co-op Advertising (the "Co-op"). Co-op advertising is completely funded by Boston Pizza franchisees. Franchisees pay 2.5% of Franchise Sales into the Co-op, 76% of these funds are used to purchase television and radio media advertising, and the remaining 24% is used for production of materials and administration. Both Boston Pizza franchisees and the corporate support staff continuously find new ways to improve the customer's experience so that they will return to Boston Pizza again, and again. Management is confident that this "Three Pillars" strategy will continue to focus BPI's efforts to develop new markets and continue to strengthen Boston Pizza's position as Canada's number one casual dining brand.

The following information provides additional analysis of the operations and financial position of the Company and should be read in conjunction with the consolidated financial statements and accompanying notes. The financial statements are in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

BOSTON PIZZA INTERNATIONAL INC.

MANAGEMENT DISCUSSION AND ANALYSIS

JANUARY 1, 2004 TO DECEMBER 31, 2004

OPERATING RESULTS

For the Period Boston Pizza continued to post positive growth. BPI's earnings increased by 8.2% during the Period compared to the same period in 2003. BPI's overall system-wide franchise sales growth for the Period was 17.1%. Overall sales growth is achieved through new store openings and same store sales growth ("SSSG").

SSSG

SSSG was 6.8% for the Period. SSSG is the combined effect of increased customer traffic and increased average guest cheque.

New Store Openings, Renovations, and Relocations

In 2004, 17 new Boston Pizza restaurants opened and no locations were closed. As well, during the Period, 11 Boston Pizza restaurants were renovated and one location was relocated to a superior location. Typically, locations that undergo a renovation are closed for 2-3 weeks. Boston Pizza's unique renovation program is a proven sales builder. Historically the average increase in overall sales for renovated sites has been 10% – 15% post renovation. This unique renovation program is another positive contributor to the positive SSSG results that Boston Pizza achieves.

Revenues

BPI's revenues for the Period were $40,746,901 and $36,089,695 in 2003. BPI's revenue is mainly derived from royalty income from franchised Boston Pizza restaurants, sales in corporately owned restaurants, initial franchise fees, franchise renewal fees, and income from its interest in the Fund.

BPI earned $4,587,336 from its indirect interest in the Fund for the Period compared to $4,208,853 in 2003.

Expenses

For the Period, the royalty expense for the use of the BP Rights was $13,195,706 and $11,454,561 in 2003.

Operating expenses for the Period were $21,934,980 and $20,266,140 in 2003. Administrative and operating expenses include salary and administrative costs associated with the services provided to franchised Boston Pizza restaurants, the operation of the two corporately owned restaurants, new franchise sales, and development activities.

During the Period BPI opened an office in Montreal to support expansion into the Quebec market. Development and administrative expenses for Quebec were $888,512.

Other Income & Expenses

Before taking into account depreciation and amortization, management bonus, interest on the loan from the Fund, interest on long-term debt, amortization of deferred gain associated with the sale of the BP Rights, and gain on the sale of Partnership units, earnings were $4,727,703 for the Period and $4,368,994 in 2003.

Depreciation and amortization for the Period was $569,020 and $444,718 in 2003.

Management bonuses for the Period were $1,170,489 and $1,015,249 in 2003. This is a discretionary expense applicable to certain management who are also shareholders of the Company and is based on several criteria including the profitability of the Company.

Interest on the $24 million loan acquired by the Fund at the time of IPO was $1,800,000 for the Period and $1,800,000 in 2003.

Interest on long-term debt for the Period was $39,753 and $83,883 in 2003.

The amortization of the deferred gain was $715,273 for the Period and $578,340 in 2003. The deferred gain arose from the sale of BP Rights to the Fund and on the addition of new restaurants added to the Royalty Pool and is amortized over 99 years, the term of the License and Royalty Agreement. The net deferred gain as at December 31, 2004 was $104,754,798.

On March 8, 2004, BPI exchanged 660,622 Class A Partnership units for an equal amount of Fund units. Following this exchange, BPI sold their units of the Fund at $12 per unit to the public for total proceeds of $7,927,464. The Gain on sale of units was $1,156,089, net of transaction cost of $165,155. This resulted in a reduction of Class A units from 1,227,238 units to 566,616. At December 31, 2004 there were 8,728,674 public Fund units issued – 10,910,842 on a fully diluted basis – and BPI had a 20% indirect interest in the Fund.

Given the combined effects of the above-noted factors, BPI produced earnings before income taxes of $3,019,803 for the Period and earnings of $1,615,618 in 2003. After tax earnings were $2,556,211 for the Period and $885,507 in 2003.

FOURTH QUARTER OPERATING RESULTS

SSSG

SSSG was 5.2% for the fourth quarter.

Revenues

BPI's revenues during the fourth quarter were $10,557,847. BPI's revenue is mainly derived from royalty income from franchised Boston Pizza restaurants, sales in corporately owned restaurants, initial franchise fees, franchise renewal fees, and income from its interest in the Fund.

BPI earned $1,109,314 from its indirect interest in the Fund during the fourth quarter.

Expenses

During the fourth quarter, the royalty expense for the use of the BP Rights was $3,301,634.

Operating expenses during the fourth quarter were $5,830,733. Administrative and operating expenses include salary and administrative costs associated with the services provided to franchised Boston Pizza restaurants, the operation of the two corporately owned restaurants, new franchise sales, and development activities.

Development and administrative expenses for Quebec were $356,264 during the fourth quarter.

Other Income & Expenses

Before taking into account depreciation and amortization, management bonus, interest on the loan from the Fund, interest on long-term debt, amortization of deferred gain associated with the sale of the BP Rights, and gain on the sale of Partnership units, earnings were $1,069,216 during the fourth quarter.

Depreciation and amortization during the fourth quarter was $234,326.

Management bonuses during the fourth quarter were $300,909. This is a discretionary expense applicable to certain management who are also shareholders of the Company and is based on several criteria including the profitability of the Company.

Interest on the $24 million loan acquired by the Fund at the time of IPO was $450,000 during the fourth quarter.

Interest on long-term debt during the fourth quarter was $7,580.

The amortization of the deferred gain was $178,818 during the fourth quarter. The deferred gain arose from the sale of BP Rights to the Fund and on the addition of new restaurants added to the Royalty Pool and is amortized over 99 years, the term of the License and Royalty Agreement. The net deferred gain as at December 31, 2004 was $104,754,798.

Given the combined effects of the above-noted factors, BPI produced earnings before income taxes of $255,219 during the fourth quarter. After tax earnings were $399,943 during the fourth quarter.

Subsequent Events

Subsequent to December 31, 2004, Boston Pizza opened three new locations bringing the total number of locations open as of March 15, 2005 to 198.

Effective January 1, 2005, 18 new Boston Pizza restaurants were added to the Royalty Pool; the locations opened during the period November 2, 2003 to November 1, 2004. In return for adding the royalty revenue from these 18 new restaurants to the Royalty Pool, BPI received the right to acquire an additional 1,033,746 units of the Fund. The 1,033,746 represents 80% of the Additional Entitlements with the balance received when the actual full year performance of the new restaurants is known with certainty. The 1,033,746 Additional Entitlements represented 8.65% of the Fund units on a fully diluted basis. BPI also receives an increase in monthly distributions based on 100% of the Additional Entitlements. The calculation for the number of Additional Entitlements received by BPI is designed to be accretive to existing Fund Unitholders as the additional royalty revenues from the new restaurants are licensed to the Fund at a 7.5% discount. The estimated royalty revenue the Fund will receive in 2005 from these additional 18 restaurants is $1,555,508. The royalty revenue for the purposes of calculating the Additional Entitlement, therefore, is $1,438,845 or 92.5%. Once the actual performance of these 18 restaurants for 2005 is known, the number of Additional Entitlements will be adjusted in 2006 to reflect the actual royalty revenue received by the Fund in 2005. As of January 1, 2005 there were 195 restaurants in the Royalty Pool.

In January 2005 an audit of the royalty revenues of the 15 locations that were rolled into the Royalty Pool on January 1, 2004 was completed. The purpose of this audit was to compare actual royalty revenue from these 15 locations to the estimated amount of royalty revenue the Fund expected to receive. The original royalty revenue the Fund expected to receive was $1,017,716 and the actual royalty revenue that the Fund received was $992,218. As a result, BPI made a cash payment to the Fund of $25,747 for this nominal mismatch in royalty revenue received by the Fund and distributions paid to BPI. Since BPI only received the right to acquire 80% of the Additional

Entitlement at the Adjustment Date in 2004, BPI received the right to acquire 161,463 Additional Entitlements following this audit.

On February 22, 2005 BPI exchanged 956,167 Class B units for 956,167 Fund units. BPI then sold these Fund units to the public. As of February 24, 2005 there were 9,684,841 Fund units issued, 12,106,052 on a fully diluted basis, and BPI had a 20% indirect interest in the Fund. BPI has committed to maintain a minimum 20% indirect interest in the Fund until there are 275 restaurants in the Royalty Pool.

LIQUIDITY & CAPITAL RESOURCES

BPI is entirely a franchised business except for two corporate restaurants. The current year capital requirements are limited to the upgrading of these two restaurants and the corporate office building and equipment requirements. To further Quebec expansion and development, BPI will be opening a corporate restaurant in Montreal in 2005. Capital requirements are estimated at $1,500,000 for 2005. As at December 31, 2004 working capital of $966,080 was available. However on February 25, 2005 BPI received net proceeds of $14,266,003 from the sale of 956,167 Fund units. As such there is sufficient resources to meet BPI's current and the upcoming capital requirements.

Long-Term Debt Obligations

BPI has minimal long-term debt obligations. The obligations are equipment finance arrangements that are secured by specific assets of the Company. The term loans are secured by a general assignment of book debts and certain guarantees from the Company, shareholders and related companies. Principal repayments on long-term debt and capital lease obligations for the next five years ending December 31 are as follows:

2005	$ 180,096
2006	139,811
2007	
2008	
2009 and thereafter	—
	$ 319,907

Other Long-Term Commitments

BPI is committed under operating lease contracts for office space, restaurant space and advertising contracts. The minimum annual rental payments under these leases for the next five years ending December 31 are as follows:

2005	$ 1,433,590
2006	1,354,330
2007	1,142,699
2008	802,311
2009	294,099

Changes in Accounting Policies

On January 1, 2004, the Company prospectively adopted new recommendations of the Canadian Institute of Chartered Accountants on what constitutes Canadian generally accepted accounting principles. As a result of this change, Class B Partnership units held by the Company, which are entitled to receive full distributions from the Partnership and are exchangeable for Fund units, are recorded at their fair value at the date of determination of the respective Additional Entitlement. The effect of this change on the current Period's financial statements is to increase the long-term investments and deferred gain on disposition of intangible assets by $18,378,825.

OUTLOOK

Boston Pizza is well positioned for future growth and should continue to strengthen its position as the number one casual dining brand in Canada. In 2005 BPI management anticipates that 25 new locations will open across Canada, with two of these locations being in the province of Quebec. The Company is on track to open over 100 new restaurants across Canada over the next five years. Opening these new locations will support the continuing enhancement of the Boston Pizza brand. In addition, BPI Management believes that in 2005 the organization can continue to deliver industry-leading SSSG from national and local marketing programs and BPI's unique renovation program that requires each location to renovate every seven years. BPI anticipates 15 locations will conduct major renovations, which will help facilitate the ongoing effort to deliver industry-leading SSSG. Management will continue to pursue further development in Western Canada, Ontario, and the Maritimes while aggressively pursuing additional opportunities in Quebec.

As with all forward-looking statements, due care and caution should be employed to ensure that appropriate interpretation is made. Please refer to note1 at the end of this document for further clarification.

RISKS & UNCERTAINTIES

The Restaurant Industry

The performance of the BPI is dependent upon the royalty received from the Boston Pizza restaurants open in Canada. The amount of royalty received from BPI is dependent on various factors that may affect the casual dining sector of the restaurant industry. The restaurant industry generally, and in particular the casual dining sector, is intensely competitive with respect to price, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants. If BPI and the Boston Pizza franchisees are unable to successfully compete in the casual dining sector, Franchise Sales may be adversely affected; the amount of royalty reduced and the ability of BPI to pay the royalty or interest on the BP Loan may be impaired. The restaurant industry is also affected by changes in demographic trends, traffic patterns, and the type, number, and location of competing restaurants. In addition, factors such as government regulations, smoking bylaws, inflation, publicity from any food borne illnesses, increased food, labour and benefits costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore potentially Boston Pizza Franchise Sales. BPI's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which could adversely affect revenue, the royalty and the ability of BPI to pay the royalty to the Fund or interest on the BP Loan.

Boston Chicken / Boston Market Litigation

Since 1995, BPI has been challenging Boston Chicken Inc.'s and Global Restaurant Operations of Ireland Limited's registration of the "Boston Chicken" trademark in Canada. In March 2003, the Federal Court of Appeal unanimously ordered the expungement of "Boston Chicken" from the trademark registry. The expungement of the "Boston Chicken" trademark is a significant victory because there is now only one owner (the Boston Pizza Royalties Limited Partnership ("Partnership") of registered trademarks using "Boston" in connection with restaurant foodservices in Canada. Additionally, since 1995 BPI has opposed the registration of the "Boston Market" trademark. As a result, "Boston Market" is not yet a registered trademark. BPI and the Partnership intend to oppose the registration of this and any other trademark by Boston Market and/or any other parties if the proposed trademark contains, among others, the word "Boston" in connection with food, food products and/or restaurant food services. In 2002 BPI and the Partnership commenced legal action against Global Restaurant Operations of Ireland Limited, Boston Market Canada Company, Boston Market Corporation, and McDonald's Restaurants of Canada Limited (the "McDonald's Group") for trademark infringement over the McDonald's Group's use of "Boston Market". BPI management and the Partnership intend to continue to vigorously prosecute any infringement or unauthorized use of the Boston Pizza trademarks. In the fall of 2002 the McDonald's Group issued a counterclaim and commenced a separate expungement proceeding challenging the registration of the Boston Pizza trademarks owned by the Partnership, some of which have been registered, and in use for over 30 years. BPI management believes that this is a tactical maneuver by the McDonald's Group and is unlikely to succeed. However, in the unlikely event that the challenge to the Boston Pizza trademarks is successful, the Partnership would lose the benefits of registration of the trademarks under the Trade-Marks Act (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However the loss of the registration under the Trade-Marks Act (Canada) would not prevent the Partnership from continuing to license and use the "Boston Pizza" and related trademarks or from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and in areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants. The parties are waiting

for trial and expungement proceeding dates. BPI management believes that ultimately, BPI and the Partnership will be successful in its litigation with the McDonald's Group. However, there are no assurances or certainty as to the eventual outcome of these legal proceedings.

OTHER

For a more detailed list of risks and uncertainties please refer to the Fund's Annual Information Form which is available at www.sedar.com.

1 Certain statements in this annual report may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this annual report such statements are such words as "may", "will", "expect", "believe", "plan", and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this annual report. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in national and local business and economic conditions; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of BPI. The foregoing list of factors is not exhaustive.

AUDITORS' REPORT TO THE SHAREHOLDERS OF BOSTON PIZZA INTERNATIONALINC.

YEARS ENDED DECEMBER 31, 2004 AND 2003

We have audited the consolidated balance sheets of Boston Pizza International Inc. as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003, the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
February 11, 2005

BOSTON PIZZA INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
ASSET:		
Current assets:		
Cash	$ 3,168,520	$ 9,178,657
Accounts receivable *(note 15)*	5,017,052	4,877,508
Prepaid expenses	483,986	612,002
Current portion of long-term receivables	28,674	28,550
Distributions receivable from Boston Pizza Royalties Limited Partnership *(note 5)*	4,466,907	4,097,048
Future income taxes *(note 11)*	294,667	67,662
	13,459,806	18,861,427
Long-term receivables *(note 6)*	25,531,718	16,876,102
Long-term investments *(note 4)*	49,955,861	38,062,826
Capital assets *(note 7)*	2,538,445	1,909,113
Deferred charges and intangible assets *(note 8)*	87,748	99,748
Future income taxes *(note 11)*	13,783,168	12,286,461
	$ 105,356,746	$ 88,095,677
LIABILITIES AND UNITHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable and accrued liabilities *(note 15)*	$ 5,650,906	$ 4,635,615
Income taxes payable	697,582	63,060
Loan from Boston Pizza Royalties Limited Partnership *(note 5)*	4,113,789	3,787,587
Current portion of deferred revenue	1,887,417	1,104,745
Current portion of long-term debt	180,096	298,653
	12,529,790	9,889,660
Long-term debt *(note 9)*	139,811	317,125
Deferred revenue	4,130,736	2,143,520
Loan from the Boston Pizza Royalties Income Fund *(note 4(c))*	24,000,000	24,000,000
Other long-term liabilities *(note 10)*	1,705,685	203,263
Deferred gain *(note 3)*	104,754,798	90,086,080
Shareholders' deficiency:		
Share capital *(note 12)*	100	100
Deficit	(41,904,174)	(38,544,071)
	(41,904,074)	(38,543,971)
	$ 105,356,746	$ 88,095,677

Related party transactions *(notes 3, 4, 5, 6, 10 and 15)*
Commitments *(note 13)*
Contingent liabilities *(note 14)*
Subsequent events *(note 19)*

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

George Melville, Director

James Treliving, Director

BOSTON PIZZA INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Franchise, restaurant – established territories and other revenues *(notes 2(e)(f), 15 and 16)*	$ 36,159,565	$ 31,880,842
Equity income *(note 4)*	4,587,336	4,208,853
	40,746,901	36,089,695
Royalty expense *(notes 3 and 13(b))*	13,195,706	11,454,561
Administrative expenses, expenses of established territories and restaurant operating costs *(note 15)*	21,934,980	20,266,140
Development and administrative expenses – Quebec *(note 2(f))*	888,512	–
Earnings before undernoted	4,727,703	4,368,994
Depreciation and amortization	569,020	444,718
Management bonus *(note 15)*	1,170,489	1,015,249
Interest on loan from the Boston Pizza Royalties Income Fund *(notes 3 and 15)*	1,800,000	1,800,000
Interest on long-term debt	39,753	83,883
Amortization of deferred gain *(note 3)*	(715,273)	(578,340)
Gain on sale of Partnership units *(note 4(a))*	(1,156,089)	(12,134)
Earnings before income taxes	3,019,803	1,615,618
Income tax expenses (recovery) *(note 11)*:		
Current income tax expense (recovery)	1,374,201	(5,147)
Future income tax expense (recovery)	(910,609)	735,258
	463,592	730,111
Net earnings	2,556,211	885,507
Dividends declared	(6,500,000)	(2,000,000)
Deficit, beginning of year	(38,544,071)	(37,846,706)
Refundable dividend tax *(note 2(g))*	583,686	417,128
Deficit, end of year	$ (41,904,174)	$ (38,544,071)

See accompanying notes to consolidated financial statements.

BOSTON PIZZA INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Net earnings	$ 2,556,211	$ 885,507
Items not affecting cash:		
Depreciation and amortization	569,020	444,718
Future income taxes	(910,609)	735,258
Amortization of deferred gain *(note 3)*	(715,273)	(578,340)
Equity income	(4,587,336)	(4,208,853)
Distributions by Boston Pizza Royalties Limited Partnership	309,461	325,807
Gain on sale of Boston Pizza Royalties Limited Partnership units	(1,156,089)	(12,134)
Change in non-cash operating items *(note 18(a))*	2,686,343	(1,982,007)
	(1,248,272)	(4,390,044)
Investments:		
Decrease (increase) in long-term receivables	(8,655,740)	5,976,752
Sale of Fund Units, net of transaction costs *(note 4(a))*	7,762,309	3,746,495
Proceeds on sale of a subsidiary, net of cash disposed of	–	342,769
Purchase of capital assets, net	(1,186,352)	(433,660)
	(2,079,783)	9,632,356
Financing:		
Loan from Boston Pizza Royalties Limited Partnership	4,113,789	3,787,587
Repayment of long-term debt	(295,871)	(297,227)
Payment of dividends	(6,500,000)	(2,000,000)
	(2,682,082)	1,490,360
Increase (decrease) in cash	(6,010,137)	6,732,672
Cash, beginning of period	9,178,657	2,445,985
Cash, end of period	$ 3,168,520	$ 9,178,657

See supplementary cash flows information *(note 18(b))*

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS:

Boston Pizza International Inc. (the "Company") was incorporated on May 26, 1982 under the laws of British Columbia and continued under the Canada Business Corporations Act on August 26, 2002. Its principal business activity is the operation and franchising of Boston Pizza restaurants in Canada. The Company initially focused on the growth of its business in Western Canada and is currently in the process of developing its Eastern Canada market.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

These consolidated financial statements include the accounts of the following companies, after elimination of all material intercompany balances and transactions:

Boston Pizza International Inc. and subsidiaries:	
Lansdowne Holdings Ltd.	100%
Boston Pizza (Asia) Ltd.	75%
Boston's The Gourmet Pizza, Inc.	100%
Winston Churchill Pizza Ltd.	100%

Effective January 1, 2004, the Company prospectively adopted new recommendations of the Canadian Institute of Chartered Accountants on what constitutes Canadian generally accepted accounting principles and its sources. As a result of this change, Class B Partnership units held by the Company which are entitled to receive full distributions from the Partnership and are exchangeable for Fund units are recorded at their fair value at the date of determination of the respective Additional Entitlement. The effect of this change on the current period's financial statements is to increase the long-term investments and deferred gain on disposition of intangible assets by $18,378,825.

(b) Inventory:

Inventory of supplies is valued at the lower of cost and replacement cost.

(c) Capital assets:

Capital assets are recorded at cost less accumulated depreciation.

(d) Depreciation and amortization:

The Company provides for depreciation of capital assets over their estimated useful lives as follows:

Asset	Basis	Rate
Office furniture and equipment	Declining balance or straight-line	14% to 50%
Office furniture and equipment under capital lease	Straight-line at various rates	up to 15 years
Leasehold improvements	Straight-line	term of the lease

(e) Revenue recognition and deferred revenue:

(i) Sales – company restaurants:

Revenue from restaurant operations is recorded when services are rendered.

(ii) Franchise fee income:

Area franchise fees:

Area franchise fee deposits are deferred until the agreed number of franchisee-owned restaurants are opened. The area franchise fee is expected to match costs incurred by the Company during the pre-opening period and is amortized into income as restaurants are opened. In the event that the required number of restaurants are not opened during the specified time period, the deposit becomes non-refundable and is recognized as income.

Monthly franchise fee:

Monthly franchise fees are recorded as they are earned, net of any allowance for doubtful accounts.

Franchise fee deposits:

Franchise fee deposits are deferred and presented net of expenses incurred relating to the sale of the franchise. When the franchise commences operations, the franchise deposits are recorded as franchise revenue and the related costs are included as an expense.

(iii) Supplier contributions:

The Company receives supplier contributions from franchisee suppliers to be used for various franchise activities. Supplier contributions are recorded as they are earned.

(f) Established and developing territories:

The Company develops a territorial business plan, when establishing new markets, but initially requires an infrastructure that will identify appropriate locations, attract franchise candidates and develop operating procedures applicable to the new territory.

As part of the business plan, the Company estimates the minimum number of franchise locations required to be opened that would generate sufficient franchise revenues to meet the incremental costs of operating the new territory. The costs of developing territories are separately presented in the financial statements until the minimum number of franchise locations have been opened, at which time the costs of operating the territory are included in administrative expenses – established territories.

(g) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

The refundable portion of taxes on investment income is charged to retained earnings. The recovery of refundable taxes previously charged to retained earnings is credited to retained earnings in the period it becomes receivable.

(h) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, balances with banks, and short-term investments with initial term of three months or less.

(i) Restaurant locations – Canada:

	2004	2003
Company owned restaurants included in the Royalty Pool	2	2
Franchised restaurants included in the Royalty Pool	175	160
	177	162
Franchised restaurants excluded from Royalty Pool *(notes 3 and 19(a))*	18	16
	195	178

(j) Investment in BP International Rights Holdings Inc.:

As part of the sale of intangible assets (note 3), the Company transferred to BP International Rights Holdings Inc. ("IP Co") (a company controlled by the ultimate shareholders of the Company) certain intellectual property ("the Operating Systems") in exchange for preferred shares of IP Co.

The Operating Systems consist of processes, procedures, and all other intellectual property inherent to the Operating Systems for use outside of Canada.

(k) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of accounts receivable and long-term receivables, capital assets, future income tax benefits, deferred charges, deferred revenue and estimated income taxes payable.

(l) Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired its carrying value.

(m) Financial instruments:

(i) Fair values:

The carrying values of cash and bank indebtedness, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments. The interest bearing portion of the long-term receivables, long-term debt and loan from the Boston Pizza Royalties Income Fund bear interest at rates that, in management's opinion, approximate the current interest rates and therefore carrying values approximate their fair values. Included in long-term receivables are non-interest bearing advances to related companies totaling $6,313,159 (2003 – $5,847,428), accordingly management has not determined the fair value of these advances due to their related party nature and the absence of a secondary market for such instruments.

(ii) Credit risk:

The distribution of the Company's franchisees and suppliers and the business risk management procedures have the effect of avoiding any significant concentration of credit risk.

3. DEFERRED GAIN:

On July 17, 2002, the Boston Pizza Royalties Income Fund (the "Fund") successfully completed an offering of units. A portion of the net proceeds of the offering were used by the Fund to indirectly acquire through an interest in Boston Pizza Royalties Limited Partnership (the "Partnership") all rights in Canada and to certain trademarks, pending trademark applications, unregistered trademarks used in the business of the Company, trade names and in all goodwill associated with those trade names, owned by the Company (collectively, the "BP Rights"). The Partnership acquired the BP Rights from the Company in exchange for cash and by issuing partnership interests. The Partnership and the Company entered into a licence and Royalty agreement (the "Licence and Royalty Agreement") to allow the Company the Canadian use of the BP Rights for a term of 99 years, for which the Company will pay a royalty equal to 4% of the franchise revenues (as defined) of certain restaurants located in Canada (the "Royalty Pool"). The proceeds received on the sale of the BP Rights by the Company to the Partnership, a partnership ultimately controlled by the Fund, were $109,348,900, consisting of $51,296,000 in cash and $58,052,900 in partnership units. The deferred gain consists of:

	2004	2003
Initial cash received on sale	$51,296,000	$51,296,000
1,605,290 Class A units of the Partnership	16,052,900	16,052,900
2,400,000 Class C units of the Partnership	24,000,000	24,000,000
	91,348,900	91,348,900
100,000,000 Class B units of the Partnership	19,830,442	1,451,617
	111,179,342	92,800,517
Book value of intangible assets and disposition costs	(250,001)	(250,001)
Long-term incentive plan (note 10)	(4,605,254)	(1,610,420)
Accumulated amortization of deferred gain	(1,569,289)	(854,016)
	$104,754,798	$90,086,080

On January 1, 2004, 15 new Boston Pizza restaurants (2003 – 8) opened during the period from November 2, 2002 to November 1, 2003 were added to the Royalty Pool of the Fund. In accordance with the terms of the Partnership agreements, the Fund provided the Company an Additional Entitlement (note 19(a)) to receive distributions on 922,932 (2003 – 560,341) Class B Partnership units in exchange for the addition of these new restaurants to the Royalty Pool. 20% of the Additional Entitlement, 184,587 units (2003 – 112,068) is not entitled to conversion to Fund units until January 1, 2005 (2003 units – January 1, 2004) based on the actual performance of the new stores. The Company's investment in the Partnership and the related deferred gain have been increased by $18,378,825 as a result of the Additional Entitlement on adoption of new recommendations described in note 2(a).

On January 1, 2004, adjustments to royalty payments and Additional Entitlement were made based on the full year performance of eight restaurants added to the Royalty Pool on January 1, 2003. Based on these adjustments, the Company received its pro rata portion of the remaining Additional Entitlement (note 19(a)), of 87,432 Fund units. The Company also repaid an amount of $25,129 for monthly distributions to the Fund.

4. LONG-TERM INVESTMENTS:

The Company's investment in the Partnership is comprised of:

	2004	2003
Boston Pizza Royalties Limited Partnership:		
566,616 (2003 – 1,227,238) Class A units of the Partnership (a)	$ 5,666,160	$12,272,380
100,000,000 Class B units of the Partnership (b)	19,830,442	1,451,617
2,400,000 Class C units of the Partnership (c)	24,000,000	24,000,000
Equity income to date	10,503,293	5,915,957
Distributions from the Partnership to date	(10,286,602)	(5,819,696)
Net investment in Partnership	49,713,293	37,820,258
Investment in BP Limited Partnership Holding Inc.	242,548	242,548
Investment in BP GP	20	20
	$49,955,861	$38,062,826

(a) Class A Partnership units rights and attributes:

The Company has the right to exchange each Class A unit it holds for one unit of the Fund ("Units") by delivering such Class A Partnership units to the Boston Pizza Holdings Trust (the "Trust"). Class A Partnership units carry voting rights equal to the number of Units into which such Class A Partnership units are exchangeable at the time. Subject to the prior rights of the holders of the Class C Partnership units, the holders of the Class A Partnership units will be entitled to receive a cumulative preferential cash distribution in an amount equal to the total distribution in respect of Class C Partnership units multiplied by the number of issued Class A Partnership units divided by the number of issued Partnership units. Class A Partnership units are also entitled to a pro rata share of residual distributions of the Partnership.

On March 8, 2004, the Company exchanged 660,622 Class A Partnership units for an equal amount of Fund units. Following this exchange, the Company sold their units of the Fund at $12 per unit to the public for total proceeds of $7,927,464 which resulted in a gain on sale of units of $1,156,089, net of transaction costs of $165,155. This transaction resulted in a reduction of Class A units from 1,227,238 units to 566,616.

(b) Class B Partnership units rights and attributes:

Class B Partnership units were issued for the right to receive a royalty based on the franchise revenue associated with restaurants to be opened in the future and their initial fair market value was based on the estimated future revenues.

The Company has the right to exchange each Class B Partnership unit it holds for a number of Units based, at any time, on a defined calculation which is based on the net franchise revenues from restaurants opened subsequent to July 17, 2002 and restaurants open for less than twelve months at April 30, 2002. Class B Partnership units held by the Company carry voting rights equal to the number of Units into which such Class B Partnership units are exchangeable at that time.

Subject to the prior rights of the holders of Class C Partnership units, the holders of the Class B Partnership units will be entitled to receive a cumulative preferential cash distribution equal to the distribution on Class C Partnership units multiplied by the number of Class B Partnership units issued, multiplied by a defined ratio which is based in part on the net franchise revenues from restaurants opened subsequent to July 17, 2002, and divided by the number of issued LP units. Class B Partnership units are also entitled to a pro rata share of residual distributions of the Partnership.

As described in note 2(a) and 3, long-term investments increased by $18,378,825 as a result of Additional Entitlements (note 19(a)).

(c) Class C Partnership units rights and attributes:

Class C Partnership units carry no voting rights. The holders of Class C Partnership units will be entitled to receive a monthly cumulative preferential cash distribution equal to $0.0625 per Class C Partnership unit. The Company, as holder of Class C Partnership units, will have the right to transfer such Class C Partnership units to the Trust in consideration for the assumption by the Trust of, and the concurrent release of the Company of its obligations with respect to, an amount of the indebtedness under the BP loan equal to $10.00 for each Class C Partnership unit to be transferred. As at December 31, 2004, the Company has a loan payable to the Fund of $24,000,000 (2003 – $24,000,000), carrying an interest rate of 7.5% and is due on July 17, 2042.

The Company has agreed to maintain at least 20% ownership, direct or indirect, in the Fund until such time as there are 275 restaurants in the Royalty Pool.

5. DISTRIBUTIONS RECEIVABLE FROM BOSTON PIZZA ROYALTIES LIMITED PARTNERSHIP:

The Company has exercised its right to receive its entitlement to monthly cash distributions from the Partnership by way of a loan. The loan from the Partnership of $4,113,789 (2003 – $3,787,587) and distribution receivable of $4,466,907 (2003 – $4,097,048) from the Partnership were settled subsequent to December 31, 2004 (note 19(c)). For purposes of financial statement presentation, the loan payable and related distributions receivable from the Partnership have been presented separately as there is no legal right to offset against each of these balances. Cash amounts received from the Partnership are as follows:

	2004	2003
Loan from the Partnership	$ 4,113,789	$ 3,787,587
Distributions received from the Partnership	309,461	325,807

6. LONG-TERM RECEIVABLES:

Long-term receivables consists of the following:

	2004	2003
Debentures receivable, bearing interest between prime plus 2% and 11% per annum, receivable in blended monthly payments of approximately $2,800	$ 28,674	$ 57,224
Advances to companies owned by shareholders of the Company, non-interest bearing, unsecured with no specified terms of repayment	6,313,159	5,847,428
Promissory notes to companies owned by the shareholders of the Company, bearing interest at 7.6%, unsecured with no specific terms of repayment	19,218,559	11,000,000
	25,560,392	16,904,652
Current portion	28,674	28,550
	$25,531,718	$16,876,102

All long-term receivables are due from companies under common control. Management believes these amounts are collectible from the related companies based on the expected revenues of their operations or upon the sale of business of the related companies. Accordingly, management believes that no impairment provision is required on these advances.

7. CAPITAL ASSETS:

2004	Cost	Accumulated amortization	Net book value
Office furniture and equipment	$4,192,605	$2,586,574	$1,606,031
Office furniture and equipment under capital lease	222,408	162,748	59,660
Leasehold improvements	2,029,743	1,166,053	863,690
Auto	24,176	15,112	9,064
	$6,468,932	$3,930,487	$2,538,445

2003	Cost	Accumulated amortization	Net book value
Office furniture and equipment	$3,171,378	$2,272,903	$ 898,475
Office furniture and equipment under capital lease	214,041	144,256	69,785
Leasehold improvements	1,872,986	945,081	927,905
Auto	24,176	11,228	12,948
	$5,282,581	$3,373,468	$1,909,113

8. DEFERRED CHARGES AND INTANGIBLE ASSETS:

2004	Cost	Accumulated amortization	Net book value
Deferred finance charges	$ 60,000	$ 29,000	$ 31,000
Goodwill and other	3,667,027	3,610,279	56,748
	$3,727,027	$3,639,279	$ 87,748

2003	Cost	Accumulated amortization	Net book value
Deferred finance charges	$ 60,000	$ 17,000	$ 43,000
Goodwill and other	3,667,027	3,610,279	56,748
	$3,727,027	$3,627,279	$ 99,748

9. LONG-TERM DEBT:

Long-term debt consists of:

	2004	2003
GE Capital Canada Equipment Financing Inc. term loan bearing interest at 8.2% per annum, due September 3, 2006, repayable in blended monthly instalments of $16,070, secured by a first charge on leaseholds	$ 313,372	$ 473,318
GE Capital Canada Equipment Financing Inc. term loan bearing interest at Government of Canada Bond rate plus 3% per annum, repayable by blended monthly payments of $8,159, due November 5, 2004, secured by restaurant equipment	–	85,860
Obligation under equipment financing arrangements	6,535	56,600
	319,907	615,778
Current portion	180,096	298,653
	$ 139,811	$ 317,125

The obligations under equipment finance arrangements are secured by specific assets of the Company.

Term loans are secured by a general assignment of book debts and certain guarantees from the Company, shareholders and related companies.

Principal repayments on long-term debt and capital lease obligations for years ending December 31 are as follows:

2005	$ 180,096
2006	139,811
	$ 319,907

10. OTHER-LONG-TERM LIABILITIES:

	2004	2003
Long-term portion of bonus payable	$ 1,641,003	$ 131,327
Tenant inducement	64,682	71,936
	$ 1,705,685	$ 203,263

During the year, the Company accrued $2,994,834 for a long-term incentive plan ("LTIP") for its employees of which $1,641,003 is included in other long-term liabilities. The Company paid $213,414 during the year for 2004 LTIP accrual. The incentive pool is determined based on the number of restaurants added to the Royalty Pool of the Fund during the twelve months ended October 31 of each year. Adjustments are made to the incentive pool based on certain performance criteria. The awards to Executive employees are paid over a three year period and awards to other employees are paid as awards are declared. These LTIP awards are recorded as a reduction of deferred gain as they are directly related to the process of earning Additional Entitlement (note 19(a)) of Class B Partnership units which are also recorded as deferred gain upon Entitlement.

11. INCOME TAXES:

Income tax expense as reported differs from the amount that would be computed by applying the combined Federal and provincial statutory income tax rates to earnings before income taxes. The reasons for the differences are as follows:

	2004	2003
Earnings (loss) before income taxes	$ 3,019,803	$ 1,615,618
Combined Canadian federal and provincial tax rates	35.70%	37.29%
	1,078,070	602,464
Increased (reduced) by:		
Permanent differences	(85,133)	(181,005)
Tax benefit (expense) charged to retained earnings for refundable tax	(249,639)	417,128
Change in statutory tax rates	(279,706)	(108,476)
Income tax expense	$ 463,592	$ 730,111

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities are:

	2004	2003
Future income tax assets (liabilities):		
Deferred gain	$ 26,039,865	$ 21,647,701
Investment in Partnership	(13,164,699)	(9,660,918)
Losses carried forward	56,151	2,947
Capital assets	(30,998)	(35,535)
Deferred revenue	981,274	175,579
Goodwill and other intangibles	196,242	224,349
	14,077,835	12,354,123
Current future income tax assets	294,667	67,662
Non-current future income tax assets	$ 13,783,168	$ 12,286,461

12. SHARE CAPITAL:

Authorized:

10,000 common shares of no par value

	2004	2003
Issued:		
100 common shares	$ 100	$ 100

13. COMMITMENTS:

(a) The Company is committed under operating lease contracts for office space, restaurant space and advertising contracts. The minimum annual rental payments under these leases for the next five years ending December 31 are as follows:

2005	$ 1,433,590
2006	1,354,330
2007	1,142,699
2008	802,311
2009	294,099

(b) Pursuant to the License and Royalty Agreement (note 3), system sales from the restaurant locations included in Royalty Pool for the current year ended December 31, 2004 amounted to $329,892,643 (2003 – $286,364,021) and the royalty paid for the year amounted to $13,195,706 (2003 – $11,454,561).

14. CONTINGENT LIABILITIES:

(a) The Company guarantees lease payments totalling $180,000 for one of its franchisees.

(b) Boston Pizza International Inc. ("BPI") and the Fund are involved in trademark litigation with entities affiliated with McDonald's Restaurant of Canada (the "McDonalds' Group"), opposing the registration by the McDonald's Group in Canada of the Boston Market trademark. Management of BPI believes that there is a likelihood that the trademark will not be registered. Additionally, BPI and the Fund have commenced an action against the McDonald's Group to prevent them from infringing BPI's and the Fund's respective interests in the trademarks by operating Boston Market in Canada. The McDonald's Group has filed a counterclaim and a separate action challenging the validity of the registered trademark "Boston Pizza" and related trademarks under the *Trade-Marks Act* (Canada). Management does not believe that this action will succeed. However, in the event that the challenge to the Boston Pizza trademarks is successful, the Fund would lose the benefits of registration of its trademarks under the *Trade-Marks Act* (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However, the loss of the registration under the Trade-Marks Act (Canada), would not prevent the Fund from continuing to license and use the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks, in new areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants.

15. RELATED PARTY TRANSACTIONS:

Interest received on advances to a company under common control was nil (2003 – $301,742).

Included in accounts payable and accrued liabilities is $469,499 (2003 – $892,569) payable to the Company's parent company in respect of outstanding trade payables. Included in accounts receivable is $634,971 and nil (2003 – $741,530 and $13,913) due from associated companies and the Fund, respectively. Also included in accounts receivable is $74,000 (2003 – $150,980) for administrative services provided to a related party.

The Company also earned revenues of $345,000 from a company under common control of which $90,000 is recorded as receivables as at December 31, 2004.

Included in administrative expenses and restaurant operating costs are amounts paid by the Company relating to rent and management fees and bonuses to companies under common control totaling $394,796 (2003 – $337,056) and $2,761,119 (2003 – $3,002,951), respectively. Additionally, included in management fees and bonuses is $730,489 (2003 – $615,249) paid to the Company's parent for services rendered.

The Company's interest in the Limited Partnership arose out of a partnership with a company under common control.

All long-term receivables are due from related parties.

The Company paid interest on the loan from the Fund of $1,800,000 (2003 – $1,800,000).

The Company earned $1,211,305 (2003 – $1,038,140) of interest and management fees from companies under common control. Interest and management fees are included in revenues.

16. COMPARATIVE FIGURES:

During the year, the Company adopted recommendations, on a retroactive basis, of the Canadian Institute of Chartered Accountants concerning the presentation of revenue related to area development arrangements, sales from franchises and other franchise related revenue which were previously recorded as an offset against the related expenditure. The Company now records these amounts in franchise and restaurant revenue. There was no effect on current or prior period earnings or deficit as a result of this change in presentation.

Certain comparative figures have been reclassified to conform with the basis of presentation in the current period.

17. SEGMENT REPORTING:

Management has determined the Company operates in one segment, which involves franchise fee income, sales from company restaurants and rental income. Substantially all of the Company's assets and revenues are located or earned in Canada, the Company's U.S. territorial development expense is incurred substantially in the U.S. and these operations were transferred to a related party.

18. SUPPLEMENTARY CASH FLOWS INFORMATION:

(a) Change in non-cash operating items:

	2004	2003
Accounts receivable	$ (139,544)	$ (1,074,040)
Prepaid expenses	128,016	29,724
Accounts payable and accrued liabilities	(125,127)	(1,460,599)
Income tax payable	405,105	436,558
Deferred revenue	2,769,888	(116,913)
Other non-cash operating items	(351,995)	203,263
	$ 2,686,343	$ (1,982,007)

(b) Supplementary information:

	2004	2003
Cash paid for:		
Interest	$ 1,839,753	$ 1,888,820
Income taxes	1,041,100	–
Non-cash transactions:		
Increase in investments and deferred gain due to transfer of 15 (2003 – 8) new restaurants to the Partnership (note 4)	18,378,825	1,440,000
Long-term incentive plan payment included in accounts payable and long-term payable (note 10)	2,781,420	1,610,420
Settlement of loan from the Partnership with distributions receivable from the Partnership	3,787,587	620,527
Increase in refundable dividend tax and future income taxes	(813,103)	–
Increase in taxes payable and decrease in refundable dividend taxes	229,417	–

19. SUBSEQUENT EVENTS:

(a) Annually, on January 1, the Boston Pizza restaurants in the Royalty Pool on which the Company pays a royalty to the Fund are adjusted to include the adjusted franchise revenue from new Boston Pizza restaurants opened on or before November 1 of the prior year, less franchise revenue from any Boston Pizza restaurants that have permanently closed during the year. In return for adding this net franchise revenue to the Royalty Pool, Boston Pizza receives the right to indirectly acquire additional Fund units (the "Additional Entitlement"). The Additional Entitlement is calculated as 92.5% of the royalty revenue added to the Royalty Pool, divided by the yield of the Fund Units. Boston Pizza receives 80% of the Additional Entitlement initially, with the balance received when the actual full year performance of the new restaurants is known with certainty. Monthly distributions from the Fund are based on full Additional Entitlement, subject to adjustment on January 1 of next fiscal year when full year performance of the new restaurants is known with certainty.

On January 5, 2005, 18 new Boston Pizza restaurants opened during the period from November 2, 2003 to November 1, 2004 were added to the Royalty Pool. The franchise revenue of these 18 new restaurants has been estimated at $37.9 million annually. The total number of restaurants in the Royalty Pool has increased to 195. The yield of the Fund units was determined to be 7.58% calculated using a weighted average unit price of $14.69. Weighted average unit price is calculated based on the market price of the unit traded on the TSX during the period of twenty consecutive days ending on the fifth trading day before January 1, 2005. As a result of the contribution of the additional net sales to the Royalty Pool, BPI received 80% of Additional Entitlement of 1,292,182 Fund Units, being 8.65% of the issued and outstanding Fund units on a fully diluted basis. The Company will also receive a proportionate increase in monthly distributions from the Fund.

(b) On January 1, 2005, adjustments to royalty payments and Additional Entitlement were made based on the full year performance of new restaurants added to the Royalty Pool on January 1, 2004. Based on these adjustments, the Company received its remaining 20% of Additional Entitlement of 161,463 additional Fund units, 1.33% of the issued and outstanding Fund units on a fully diluted basis.

As a result of the Additional Entitlement and adjustments noted above, BPI now holds securities convertible into 3,377,378 Fund units which equates to 27.9% of the fully diluted units of the Fund. BPI has agreed to maintain at least a 20% ownership, direct or indirect, in the Fund until such time as there are 275 restaurants in the Royalty Pool.

(c) On January 4, 2005, loans from the Partnership and distributions receivable from the Partnership in the amount of $4,113,789 were settled.

UNITHOLDER INFORMATION
BOSTON PIZZA ROYALTIES INCOME FUND

CORPORATE OFFICE
5500 Parkwood Way, Richmond, BC, V6V 2M4

TRANSFER AGENT
Computershare Trust Company of Canada

STOCK EXCHANGE LISTING
Toronto Stock Exchange: BPF.UN

AUDITORS
KPMG LLP

CORPORATE COUNSEL
BLG LLP

REGISTERED AND RECORDS OFFICE
#1200 – 200 Burrard Street, Vancouver, BC, V7X 1T2

INVESTOR RELATIONS

Robert Groom

5500 Parkwood Way
Richmond, BC, V6V 2M4
Tel: 604-270-1108
Fax: 604-270-4168
email: investorrelations@bostonpizza.com

www.bpincomefund.com

UNITHOLDER INFORMATION
BOSTON PIZZA INTERNATIONAL INC.

CORPORATE HEAD OFFICE
5500 Parkwood Way,
Richmond, BC, V6V 2M4

EASTERN OFFICE
Suite 708 – 1 City Centre Drive,
Mississauga, Ontario, L5B 1M2

QUEBEC OFFICE
3030 boulevard Le Carrefour,
bureau 802, Laval, Québec, H7P 2P5

www.bostonpizza.com

MANAGEMENT TEAM

Jim Treliving
CHAIRMAN & OWNER

George Melville
CHAIRMAN & OWNER

Mike Cordoba
CHIEF EXECUTIVE OFFICER

Mark Powell
CHIEF FINANCIAL OFFICER

Mark Pacinda
PRESIDENT

Al Cave
EXECUTIVE VICE-PRESIDENT – CORPORATE SERVICES

Doug MacDonald
EXECUTIVE VICE-PRESIDENT – WESTERN CANADA

Ken Otto
EXECUTIVE VICE-PRESIDENT – ONTARIO & MARITIMES

Wayne Shanahan
EXECUTIVE VICE-PRESIDENT – QUEBEC

CLOSING THOUGHTS FROM THE PRESIDENT:

"As you have seen 2004 was a great year for Boston Pizza and 2005 is shaping up to be just as good. The Boston Pizza International team is definitely aligned with the interests of Unitholders. Our staff are committed to optimizing same store sales growth and opening solid performing restaurants across Canada."

MARK PACINDA
President
Boston Pizza International Inc.

The Boston Pizza International Inc. Corporate Mission Statement

TO BE A WORLD CLASS FRANCHISOR THROUGH SELECTING AND TRAINING PEOPLE TO PROFITABLY MANAGE AN OUTSTANDING FOODSERVICE BUSINESS.

TO ACHIEVE THIS GOAL WE ARE INNOVATIVE AND RESPONSIVE IN OUR APPROACH IN BUSINESS. WE WORK AS A TEAM PROVIDING ATTENTION TO DETAIL BUT NEVER LOSING SIGHT OF THE LARGER PICTURE. WE RECOGNIZE THE NEED TO PROVIDE LEADERSHIP IN ALL AREAS OF THE OPERATIONS, MARKETING AND RESTAURANT DEVELOPMENT.

Boston Pizza

ROYALTIES INCOME FUND

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